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THE PROBLEM OF RAILROAD CONTROL

FOR fifty years the American people have almost continuously had under consideration the problem of railroad control. The particular questions to be solved change decade by decade with variations in economic conditions and with the evolution of political ideals and institutions; but the railroad problem, like the poor, is always with us, and is at all times fundamentally the same—how can the public secure adequate and efficient transportation services at rates and fares that are reasonable and just to all parties concerned.

This is a period of economic reconstruction. The processes of production, transportation and trade were so disorganized by the World War, and the powers of economic recuperation were so enfeebled by that great conflict, as to make it inevitable that the world should for a period of years be slowly struggling back to its former virility. The railroad problem of the hour is part of a world-wide economic disorder, and it is not to be hoped that the difficulties confronting American railroads can be fully overcome until the nations of the world are again functioning normally in their political, economic and social life. However, while the condition of the railroads of the United States is a part of a general situation, the railway problem in this country has its particular aspects which may well be considered with a view to determining what public policy should be adopted and what, if anything, can be accomplished by legislation. The present problem will be better understood by reviewing briefly its antecedents.

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The Problem of 1919[1]

When fighting was brought to an end by the armistice, the railroads of the United States had been under government operation for somewhat less than a year, but the period of government operation was extended to March 1, 1920, a total of twenty-six months. Throughout the year 1919, earnest consideration was given by all people to the question of the future railway policy of the United States. Out of the discussions in the press and on the forum, there not unnaturally emerged three distinct views, each of which was urgently championed. Government officials of the railroad administration led by the Director-General of Railroads, Mr. William G. McAdoo, urged Congress to extend the period of federal operation for five years from the first of January, 1919. It was urged by Mr. McAdoo, and for a time by his successor, Mr. Walker D. Hines, that the country should avail itself of this opportunity to ascertain what could be accomplished by the government operation of railroads. He saw, or felt that he saw, great opportunity of accomplishing the unification of the transportation systems of the United States by government operation. He pictured to himself a national transportation system in which railroads, waterways and other agencies were so coördinated as to be of maximum efficiency and economy. It was an attractive dream, but its realization would have involved the success of the government of the United States in the operation and development of the railroads and other transportation facilities. As is usual with men of the promotive type, Mr. McAdoo kept his mind upon the desired goal, and ignored intervening obstacles.

It was inevitable that agitation for the adoption of a policy of government ownership and operation should follow the taking-over of the railroads by the government for operation as a war measure. The propaganda for government ownership as a

[1] For a discussion of the problems of railroad regulation as they presented themselves in 1919, consult the papers contained in the volume containing the proceedings of the Annual Meeting of the Academy of Political Science, held in New York City, November 21–22, 1919. Published as vol. viii of the *Proceedings* of that Academy.

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permanent policy was led by the brotherhoods and unions of railway employees, whose leaders evidently felt that they could more readily control wages and working conditions in a régime of government ownership and operation. The leader of the propaganda was Mr. Glenn R. Plumb, an attorney of the brotherhoods, who presented an ingenious plan for the purchase of the railroads by the government and for their operation by a board of fifteen men, ten of whom were to consist of the railway employees and officials, the other five being representatives of the public. The Plumb plan received the official support of the railway employees' organizations, although by no means the united support of all the members of these associations, but the plan met with little, if any, support on the part of the public generally.

As the year 1919 progressed, it became increasingly evident that the great majority of the American people and their representatives in Congress were in favor of the return of the railroads to their corporate owners and the resumption of private operation of the railroads. Upon numerous questions of public policy, such as competition, rate regulation, the adjustment of wages and working conditions etc., there were marked differences of opinion, but upon the fundamental question as to the desirability of private ownership and operation of railroads in the United States, there was no serious question in the mind of the public.

While it is probable that the majority of the people in the United States, had they been given an opportunity, would have declared in favor of the continuance of competition among private railroads, it is also true that those persons who have made a careful study of railroad questions saw clearly that there should ultimately, if not immediately, be a great reduction in the number of railroad corporations. There were one hundred and eighty-seven railroad systems of class one (companies having annual gross earnings of a million dollars or more), and it was not difficult to see that this number was excessive and that many of these railroad companies, roughly forty per cent of them, were too weak, because of their past history, their existing traffic opportunities, or their present financial status, to

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render the public efficient service and to insure the sections of country they served future railroad systems, vigorous and progressively efficient.

Railway consolidation was realized by the clear-sighted to be an ultimate, if not immediate, necessity. There was some sentiment in favor of dividing the country up territorially and creating in each of those sections a single railroad system, built up out of the numerous lines owned by existing corporations. In accordance with this plan, a federal corporation would have been created to take over the railroads in each section. This would have been the adoption of the principle of monopoly in the future management of the railroads and would probably have been a mistake. When Congress came to act, it favored the maintenance of competition among private railroads, but provided for their voluntary consolidation. There were many in favor of compulsory consolidation, but it did not receive popular support, at least, the support of the House of Representatives. This is one of the questions which the American people must reconsider. Consolidation must be brought about before the railroad problem can be finally and satisfactorily solved.

It was evident in 1919 that the government was incurring a large deficit in the operation of the railroads, and that it would be impossible for the corporate owners of the railroads to operate their properties profitably without a large increase in net revenues. Expenses of operation had greatly increased during the war, partly as a result of the war, and partly because of policies adopted by the government in dealing with railway labor. The problem that had to be considered first of all in returning the railroads to their owners was the restoration of railroad credit. Economic conditions generally were depressed. Railroad operations were unprofitable. The corporate owners of the railroads would need capital to repair the wastes of war and to provide facilities for the traffic demands of the future. This capital must come from private sources. Would investors advance the funds? If they did not, the railroads would deteriorate unless the government advanced the necessary capital, and if the government were to embark upon such a policy,

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ultimate public ownership would be the probable consequence, as has been amply shown by the experience of other countries in similar enterprises.

While the public was desirous that the capital required by the railroads should come from private investors, it was clear to everybody that the time had come for the federal regulation of the issue of railroad securities. Some of the states had for many years regulated the issue of securities, but only a small minority of the states had attempted to make such regulation thorough and effective, and even those states were able but partially to accomplish their purpose, because regulation was not general on the part of all states. Massachusetts and New York might have laws for the regulation of railroad securities, but a Connecticut corporation like the New Haven might be wrecked by the pyramiding of securities in the interest of financial speculators. Thus the public decided in 1919 that when the railroads were returned to their owners, the government of the United States should be given authority to pass upon the advisability of proposed investments and upon the nature and volume of securities that may be issued to secure funds for carrying out approved enterprises.

Any policy intended to re-establish the credit of the railroads after their return to their corporate owners must necessarily involve a policy of rate regulation different from the policy that had been followed prior to government operation. For some years before the government took over the railroads, rates had been so regulated by the Interstate Commerce Commission as to limit the earnings upon railroad investments as a whole to such a low rate of income that investors had already begun to avoid railroad securities. Between 1912 and 1917, a few railroads, even the more prosperous ones, were able to sell stocks at a figure which justified the issue of securities in that form. Most of the new capital required by the railroads had to be obtained by the issue of bonds, and thus the desirable ratio of 50–50 as between stocks and bonds had to be abandoned, and the indebtedness of the railroad companies, at least of many of the companies, became so large as to endanger their financial stability.

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It was clear that the future control of railroad rates by the government should be constructive rather than merely corrective in purpose. The laws of 1906 and 1910 had vested the control of rates and revenues in the government, which thereby became responsible for the net revenues and the financial integrity of the railroad corporations. If the government were, upon the return of the railroads to their owners, to continue to determine the revenues of the carriers, and if it were allowed to sit in judgment upon security issues, it was seen that it would be necessary for the rate-making authority, that is, the Interstate Commerce Commission, to be responsible for the establishment of rates that would yield the carriers revenues sufficient to enable them to render efficient services and to provide the country with a system of railroad transportation capable of progressing with the development of the country. Any policy of rate control that stopped short of this degree of responsibility on the part of the government would be disastrous to the American railroad system.

When it became evident that the federal government in the regulation of the railroads must assume responsibility for their financial stability and for rates and revenues that would enable the country to enjoy a progressively efficient system of rail transportation, it was clearly seen that the central government must not allow its rate policies to be negatived or seriously interfered with by the states in their control over charges for intra-state transportation.

In the Minnesota Rate Case in 1913 (Simpson, et al. *v.* Shepherd, 230 U. S. 352), and in the Shreveport Rate Case in 1914 (234 U. S. 342) the Supreme Court had established the principle that the state rate must give way to the federal rate when the charges established by the state limited the regulatory powers of the federal government or established an unreasonably discriminatory relationship between the state and interstate rates. The order issued by the Interstate Commerce Commission in the Shreveport case was upheld by the court, but it has been found difficult in practice so to apply the principle established by the Shreveport decision as to prevent a serious interference on the part of the states with the regulation

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of interstate rates by the federal government. The correction of this situation was one of the objects to be accomplished upon the return of the railroads to their corporate owners for operation.

None of the problems connected with the return of the railroads to their owners was more perplexing or more provocative of divergent views than the policy that should be adopted for the future regulation of the wages and working conditions of the army of railroad employees. From 1912 to 1917 the country was frequently confronted with the menace of a paralyzing railroad strike, and railroad labor problems were acute throughout this five-year period. If there was a justification for the assumption of the operation of the railroads by the United States Government, it was to be found mainly in the fact that during the period of the war the country could not permit the railways to be tied up or even seriously hampered by labor controversies. The other major reason for government operation was that large expenditures must be made promptly by the railroads in order to meet the extraordinary demand for service placed upon them by the government in the prosecution of the war.

In my judgment, both of these problems could have been met without resort to government operation. The Railroad War Board, established by the railway executives in the spring of 1917, was bringing about the coördination of the railroads, and more traffic was being moved than had ever previously been transported. Acting under his war powers, the President could have given this railroad war board greater authority, and financial support might have been given to the railroads under conditions that would have safeguarded the public interest. A discussion of what might have taken place at the end of 1917 is, however, academic. The railroads were taken over by the government in order that the executive authority might remove the menace of strikes, might relieve the railroads from the limitations imposed by existing anti-trust laws, give the common carriers needed governmental aid, and hasten the coördination of the several railroad lines into a unified and efficient transportation system.

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When, in 1919, consideration was being given by the public to the conditions under which the railroads should be returned to their corporate owners, much thought was given to problems of service, with the hope of retaining under private operation the service advantages of unified management that had been secured during the period of government control. It was realized by the public that railroads and waterways ought not to be kept dissociated and forced to serve as unrelated competitors. The necessity of providing for a unified service by connected and coöperating rail and water lines was realized. It was also clear that terminal operations had been wasteful in the past, and that large economies in the future could be brought about by treating each urban district, no matter by how many railroads it might be served, as a single terminal in which the various freight yards and stations of the several carriers and their tracks and yards were coördinated for the performance of a unified service. The realization of this project for the reorganization of terminals will take time, but the advantages to be gained by it are manifest.

When the government operated the railroads, the entire equipment of different types of freight cars was used without much regard to ownership. The railroad stock in the country was utilized as a whole. Freight cars became legal tender and remained in circulation when and where needed, instead of being redeemed by frequent return to their owners. This use of rolling stock was made to meet a national emergency, and it was recognized by the public that provision should be made for its similar use in the future to meet any crisis that might arise under peace or war conditions.

The Solution Attempted by the Transportation Act of 1920

To provide for the return of the railroads from the government to their owners, under terms that would meet the railroad situation as it had come to be understood during the year following the armistice, the Transportation Act of 1920 was passed by Congress. It was approved February 28, and provided for the return of the railroads to their owners on the first of March of that year.

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The law provided for the maintenance of competition in the operation of the railroads, the grouping of the railroads territorially or otherwise not being required. The Act, however, gave the Interstate Commerce Commission power to compel the owner of a railroad terminal to permit other carriers to use the terminal in return for reasonable compensation. Thus a beginning was made in what will ultimately be the unification of railroad terminals. Competing carriers were also given permission to pool their traffic and earnings after securing approval of the Interstate Commerce Commission. The consolidation of railroads while not made compulsory was made possible. The law requires the Interstate Commerce Commission to work out a plan for the grouping or consolidation of the railroads into a limited number of systems that

> shall be so arranged that the cost of transportation as between competitive systems and as related to the values of the properties throughout the service as rendered shall be the same, so far as practicable, so that these systems can employ uniform rates in the movement of competitive traffic and under efficient management earn substantially the same rate of return upon the value of their respective railway properties.

The law thus contemplates the ultimate consolidation of railroads by voluntary action of the carriers and the maintenance of competition among the permanent systems. The Senate Bill provided for the compulsory consolidation of railroads, but in conference the Senate gave way to the House, and voluntary consolidation was agreed upon as a compromise. It is probable that future legislation upon railroad consolidation will be necessary, and that the government will ultimately be obliged to compel the grouping of railroads into the contemplated limited number of permanent competitive systems of relatively equal strength and stability.

The most constructive parts of the Transportation Act of 1920 were those providing for the restoration of railroad credit, for the regulation of railroad finances, and for the establishment by government authority and responsibility of rates sufficient to yield a rate of return designated by the statute as reasonable. Some of these provisions were temporary, others were of a

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permanent nature. The temporary provisions included (1) the proviso that rates in force at the time of the return of the railroads to their owners should remain in effect until changed by state or federal authority, and that no reduction in such rates should be made during the first six months of private operation (before the end of this period, rates were largely increased by the Interstate Commerce Commission); (2) the provision that the government guarantee of the net return which had been assured the railroads during the period of government operation should be continued until September 1, 1920; and (3) the appropriation of three hundred million dollars as a revolving fund from which loans might be made to the carriers to help tide them over the period of transition from government to private operation. The carriers were also to be allowed to fund their indebtedness to the United States government for a period of ten years at the rate of six per cent per annum.

The most important permanent provision included in the Transportation Act with the intention of giving financial stability to the railways of the United States, was that which concerned the future policy of rate-making and rate regulation. A new principle of rate control was adopted. The Interstate Commerce Commission was authorized to divide the United States into an appropriate number of districts for rate-making purposes, and the Commission has established four districts:—Eastern, Southern, Western and Mountain-Pacific. The aggregate value of the railroad property devoted to the public service in each of these districts was to be determined, and the Commission was to authorize and establish rates and fares that will yield the carriers a reasonable return upon the aggregate value of the property. For the two years following March 1, 1920, the statute declared a reasonable return to be 5½ per cent per annum, and the Commission was authorized to allow the carriers to earn and retain an additional ½ per cent upon the aggregate value of railway property, this additional ½ per cent to be devoted to improvements and not to be capitalized. Any carrier's earnings in excess of 6 per cent per annum are to be divided with the government. After March 1, 1922, the Interstate Commerce Commission is to determine what rate per cent

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per annum upon the aggregate value of railroad property shall be a reasonable return to the carriers.

This policy of rate control differs radically from the policy adhered to prior to government operation. Up to that time regulation was exercised for the purpose of preventing the carriers from charging unreasonable rates. It was regulation of a corrective and negative character. In the future, the Government is to act positively and to establish reasonable rates, and the statute for the first time defines what the standard of reasonableness shall be. This is a large forward step in government control of railroads in the United States.

In the regulation of rates, the difficulty of the problem has grown mainly out of the fact that charges over competitive routes for similar services must be the same; also, that for like services in different sections of the country there cannot properly be wide differences in the charges. Some railroad lines are favorably located, have abundant traffic, and are economically and profitably managed. Other lines, over which the charges in many instances must be the same as those of their prosperous competitors, are poorly located, have light traffic, and can be operated profitably only under the most favorable conditions. If rate systems are established that will yield profits to the "weak sisters", the stronger brothers will be favored with larger rail rates than the public should be required to provide. This situation cannot be altered except by the consolidation of all the railroads into a limited number of permanent systems of relatively equal strength. For this reason consolidation must ultimately be accomplished. If it does not come about voluntarily, as it probably will not, it must be brought about by the government.

One of the most satisfactory provisions of the Transportation Act of 1920 is the one which writes into the law the principle established by the Supreme Court in the Shreveport decision. A rate established by a state authority must give way to the lawful interstate rate whenever the Interstate Commerce Commission "after full hearing finds that any such [state] rate, fare, charge, classification, regulation, or practice causes any undue or unreasonable advantage, preference, or prejudice as

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between persons or localities in intra-state commerce on the one hand, and interstate or foreign commerce on the other". In the case of an unreasonable discrimination caused by the state rate, the Interstate Commerce Commission may prescribe the intra-state rate thereafter to be charged, "the law of any state or the decision of a state authority to the contrary notwithstanding". However, in the hearing and the determination of cases involving the relation of interstate and intra-state rates, the Interstate Commerce Commission may confer with the authorities of the states, and avail itself of the coöperation of state authorities in the enforcement of any provisions of the law. The rate-regulating authorities of most of the states have united in a case that is now pending in the Supreme Court of the United States to determine whether this part of the Transportation Act of 1920 is an invasion of the constitutional rights of the states. What the decision of the Supreme Court will be remains to be seen, but the Court can hardly fail to follow the course it adopted in reaching the Shreveport decision.

In the future, railway properties and railroad investments are not to be made the prey of unscrupulous speculators as they have too frequently been made in the past. Permission must be secured from the Commission for the extension of a railroad line or the construction of a new road, and the Commission must be convinced of the public necessity and convenience of the proposed investment. Securities to obtain new capital are to be issued only upon approval of the Commission, and the securities shall be put out "upon such terms and conditions as the Commission may deem necessary or appropriate in the premises". Public authority now sits in judgment upon the necessity of any railroad investments, determines what amount of new capital it is necessary to invest, decides what kinds of securities may be issued and the terms upon which these securities may be offered to the public. The days of stock-watering and "high finance" in the railroad business are presumably at an end.

The labor provisions of the Transportation Act of 1920 are an example of the kind of compromises all too characteristic of important legislation. The Senate, led by the able Chairman

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of its Committee on Interstate Commerce, Albert B. Cummins, adopted the principle of compulsory arbitration of disputes as to wages and working conditions in the railway service. The Committee on Interstate and Foreign Commerce of the House of Representatives favored the adjustment of disputes as to wages and working conditions by boards composed of representatives of employers, employees and the public; while the brotherhoods and unions of railway employees championed the the continuance of national boards of adjustment, such as had been set up during the period of government operation of the railroads. These were dual boards of adjustment composed of an equal number of representatives of the employees and the carriers, there being no members of the public on the boards. When the House bill was under consideration by the House of Representatives, the brotherhoods secured an amendment, substituting their general plan of dealing with labor disputes in place of the plan recommended by the Committee on Interstate and Foreign Commerce. When the two bills came under consideration in the Conference Committee of the two houses, the House conferees prevailed. The representatives of the Senate gave up the plan of compulsory arbitration and agreed to a plan similar to the one that originated in the House Committee on Interstate and Foreign Commerce.

The law provides that the carriers and their employees shall first seek by direct negotiation to agree upon wages and working conditions. If such negotiations fail, the questions as to working conditions, not as to wages, may be considered by boards of adjustment created for a single railroad company, for a section of the country, or for the United States as a whole. These boards are to be established by agreement of the carriers and employees. They are to be dual in character and composed of representatives only of employers and employees. In case a board of adjustment is unable to settle a dispute as to working conditions, appeal may be taken to the Railroad Labor Board provided for by the Act. This board is composed of nine men, appointed by the President, three appointees to be from nominees made by the employees' organizations, three from nominees made by the railway executives, while the other

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three are to be such representatives of the public as the President may select. This tripartite board has jurisdiction over disputes as to wages and also as to working conditions. It was contemplated by the statute that disputes as to working conditions should go before the Labor Board only upon appeal from decisions of the boards of adjustment, but inasmuch as the carriers and the employees have not been able to agree upon the kind of boards of adjustment to be established, such boards have not been brought into existence, and the Railway Labor Board has, in fact, decided questions of working conditions as well as of wages.

Working conditions, other than in the train-operating services, during the period of the Railroad Administration, notably during the latter days of that period, were fixed by the adoption of national agreements; and, after the railroads were returned to their owners, the labor board, being confronted with the difficult problem of deciding what increases should be made in railroad wages, announced that the working agreements between the carriers and the unions should remain in full force until changed by agreement of the interested parties. The carriers and the brotherhoods could not agree upon modification of the national agreements, and thus early in 1921 the labor board was obliged to enter upon extended hearings to decide whether the agreements as to working conditions that had been adopted during the period of government operation should be continued, modified, or abolished. The board decided that the agreements should terminate on July 1, 1921, if, in the meantime, the carriers and the representatives of the employees had adopted other agreements, but as the carriers have not been able by negotiation to modify the agreements, they will remain in force until the labor board shall have substituted new agreements.

The effect of the labor provisions of the Transportation Act of 1920 has been to place in the hand of a single board power to determine the wages of all railroad employees and to fix the standards of working conditions prevailing on the railroads throughout the states. Moreover, this board is entirely independent of the Interstate Commerce Commission. The Labor

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Board controls half or more than half of the expenses of the railroad companies, while the Interstate Commerce Commission is charged with the duty of establishing rates that will yield the carriers what the statute has established to be a reasonable return upon railroad property. Whether this plan of independent action on the part of two boards, one determining expenses, and another fixing revenues, will work successfully is an open question.

That the Transportation Act of 1920 is a genuinely reconstructive measure is evidenced by the provisions it contains regarding railway services. By this law the government has undertaken definitely to bring about better service conditions on American railroads. Regulation begins, as has been pointed out, with the exercise of judgment by public authority as to what tracks and terminals shall be constructed and how capital shall be raised for such construction and for the acquisition of additional facilities and equipment. The equipment has to be operated in accordance with car-service rules determined by the government. The joint use of terminals may be required; and, in the enforcement of the Act, the carriers will be required so to develop their terminals as gradually to bring about the much-desired unification of terminals in the important railroad centers. Moreover, the interchange of traffic by railroads and waterways and provisions for through-shipment and through-billing by joint rail-and-water routes are definitely provided for.

Developments Since Resumption of Corporate Operation

Whatever merits the Transportation Act of 1920 may possess, and it is unquestionably a constructive measure of great promise, a series of events has prevented the law from accomplishing what it was hoped might be brought about. The law was enacted during a period of great business activity that followed the close of hostilities; but, before the law had been in force a year, the United States was suffering along with other countries from a world-wide depression in business. The plight of the railroads in the United States has been serious since the beginning of 1921, and there is no promise of an immediate and prompt return to prosperous conditions.

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Several important actions have been taken by the government in accordance with the provisions of the Act of 1920. Shortly after the Act became a law, there developed an acute car shortage which was accentuated in April and May, 1920, by the so-called "outlaw-strike" of yard-men and switch-men in the principal railroad terminals. Although this strike was of short duration and failed utterly, because it was carried on in opposition to the employees' unions, it added greatly to the difficulties of the railroads. In order to meet the critical situation promptly and fully, the railroads requested the Interstate Commerce Commission to take charge of car service, in accordance with the powers granted the Commission by the Act of 1920. The Commission decided that an emergency existed, and for several months it exercised as full control over car service and distribution as the railroad administration had exercised during the period of government operation. Before the end of the year 1920 railroad traffic fell off sharply and the car shortage was changed into a car surplus which has prevailed thus far throughout 1921.

The depression in business was so general as to cause a large decrease in railroad traffic and revenues. The decrease in the earnings was so great that during the early months of 1921 many railways in the United States had recurring operating deficits, and in the case of even the most prosperous railroads operating expenses were nearly equal to operating revenue.

This financial situation developed in spite of the fact that the Interstate Commerce Commission in August, 1920, had granted the railroads an increase in rates designed to enlarge freight revenues by 33⅓ per cent and passenger-train revenues by about 24 per cent. The rates authorized by the Commission in August, 1920, were based upon the assumption that the volume of traffic which the railroads then had would continue. The members of the Commission were not prophets, and they had no means of foretelling the financial depression. It came within six months after the Commission's rate order was issued. Moreover, the increase in rates granted by the Commission was made with a view to enabling the carriers to earn six per cent upon a tentative value which the Commission placed upon the

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property of the railroads in the United States, subdivided territorially among the four districts mentioned above. The tentative valuation placed upon the property of the railroads was $18,900,000,000. This was undoubtedly a conservative valuation. The fact that the total value fixed by the Commission was more than a billion and a half dollars less than the book value of the carriers' property may not have much significance, although the appraised values of the railroads, in so far as they have been determined by the Commission under the valuation act of March 3, 1913, indicate that the physical properties of the railroads as a whole will be quite equal to the amount of the assets as carried on the books of the companies. In any event, rates calculated to allow the carriers as a whole to earn but six per cent per annum in 1920 and 1921, upon their properties valued at a figure which they had reached by the opening of the world war, would necessarily have been considered conservative, if not relatively low, even had business conditions remained prosperous, as was anticipated by the Commission when the rate increase was authorized.

Railroad credit was not restored. It is clear now that it would have been impossible in 1920 to take any action that would have exempted the railroads from sharing with other enterprises in the consequences of the world-wide business depression that began at the close of 1920. The financial and rate-making features of the Transportation Act of 1920 have had comparatively little effect because the benefits they might have accomplished have been overcome by adverse economic conditions. What actually happened to the railroads may be indicated by a few figures of earnings and expenses.

The operating revenues during the calendar year 1920 were $6,225,000,000, and exceeded the revenues of the preceding year by $1,041,000,000, but the outlay of the railroads for operating expenses, taxes and rents in 1920 amounted to $6,163,000,000, and was greater than the figures for 1919, by $1,495,000,000. The result was that the net operating income for 1920 was but $62,264,000, whereas in 1919 it had been $516,290,000. Even in 1919, the railway operating income was only about five-ninths of the amount guaranteed to

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the railroads by the government during the period of federal control. When the railroads were taken over by the government at the close of 1919, the companies were guaranteed a net operating income equal to the average for the three years ending June 30, 1917. This guaranty amounted to somewhat more than nine hundred million dollars per annum. The actual net operating income of the railroads in 1920 was thus about one-fifteenth of the average for the three years preceding the entry of the United States into the war.

The bad financial showing of the railroads for the years 1919–20 (and the situation was even worse during the early months of 1921) was caused by the extraordinary increase in expenses during the year 1920. This increase, amounting in all to nearly a billion and a half dollars, was made up of the following items: increase in payments for wages and salaries $884,148,000, for locomotive fuel $196,429,000, railroad ties $28,113,000, and other items $386,682,000.

The situation of the railroads in 1920 in comparison with their condition in 1916 is explained by the fact that during this five-year period the revenues increased $71\frac{58}{100}$ per cent, while total expenses rose $141\frac{71}{100}$ per cent.

What Remains to be Done

The foregoing figures are sufficient to show that the railroads can be restored to financial stability only by a large decrease in expenses. While it is probable that with the return of business to normal conditions there will be an increase in gross revenue, yet it must be remembered that the traffic of 1920 was heavy, much larger than it has been running in 1921. It is not to be anticipated that the tonnage of the railroads in the near future will much exceed that of 1920. Moreover, it is agreed by everybody that railroad revenues cannot be increased by raising freight rates and passenger fares. Any changes made in the charges must be downward. In fact, numerous individual rates are being readjusted downward in order to make possible a larger and freer flow of certain staple commodities. The future success of the railroads clearly depends upon greater economy and efficiency and upon a large reduction in the ratio of expenses to income.

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Something has already been done to reduce expenses. The Railroad Labor Board by an order effective July 1, 1921, has reduced wages about twelve per cent. Some railroad companies by their own action have reduced salaries. A twelve-per-cent reduction in salaries and wages paid in 1920 will amount to more than four hundred million dollars. Savings of an equal amount in other expenses must be made in order to put the railroads securely upon their feet. Presumably the cost of coal, fuel-oil, ties, rails, equipment and supplies will follow the downward trend of prices generally, but it is not to be expected that large reductions can be secured in the costs of material and equipment in the near future. Hope must be placed in the introduction of operating economies. The carriers, federal and state commissions, and the public must unite in efforts to reduce the terminal expenses and to bring about the maximum use of equipment and facilities. In the long run, railway co-operation and consolidations will make many economies possible, but during the next five years the greatest opportunity for a reduction in railroad expenses will be found in the introduction of economical methods of handling traffic into, out of, and through large city terminals.

It is to be hoped that it will not be necessary for the government to make large additional advances of funds to the railroads, but there is a financial measure by which the government might promptly be of much assistance to the railroads. During the period of government operation some seven hundred or eight hundred million dollars were invested by the government in improvements and betterments. Had these investments been made by the railroad companies, the funds would have been secured by the sale of securities. They would have been funded obligations. The government has, however, withheld this large sum of money from the railroads in settling its obligations to the railroads. In other words, the government has credited itself with this sum of money, and thus has withheld it from the railroads. Valuable temporary assistance would be given to the carriers, were the government to fund this investment of seven or eight hundred millions and advance the cash to the companies.

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It is doubtless too early to pass final judgment upon the plan of adjusting wages and working conditions established by the Transportation Act of 1920. The labor problem is a complicated one at all times, and under present conditions of business depression, and of consequent unemployment and unrest on the part of workingmen, the problem is more than ordinarily difficult. The continuance of the national agreements entered into by the railroad administration and the railroad brotherhoods, other than those of which the train operators are members, and the inability of the railroad companies to agree with the employees' unions as to the kind of boards of adjustment to be set up under the Act of 1920, have resulted, as stated above, in placing the whole problem of adjusting the wages and working conditions of railroad employees in the hands of the Railroad Labor Board. The direct negotiation of railroad employers and employees, outside of the train services, has been minimized and practically set aside. A national board, one-third of the membership of which is made up of representatives of the public, is fixing wages, and thus for the present is determining six-tenths of the expenses of the railroads and is fixing the rules controlling working conditions throughout the country.

It is doubtful whether the Railroad Labor Board will prove to be a satisfactory agency. I am aware that the tendency, not only in the United States, but in other countries, is toward the establishment of wages and working conditions by national boards instead of by direct negotiation of employers with employees. Nevertheless, I am not convinced that the tendency is in the right direction or that the tendency will permanently continue. It may still be that experience will demonstrate the wisdom of returning to the policy of establishing wages and working conditions by contract, by negotiation and agreement of the parties directly interested. If the task is to be taken from those directly concerned and placed with a board, probably that board should be made up only of representatives of the public. Moreover, it should surely be a board to which cases come only upon appeal, either upon appeal by the employers and employees when negotiations have failed, or upon

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their appeal from the decision of some local arbitration or adjustment board, which has first considered and passed upon the questions at issue.

If this opinion, here tentatively expressed, should prove to be sound, an amendment to the Transportation Act of 1920 will be found to be necessary.

Of one thing I am quite certain. The railroad systems of the United States must be brought together into a limited number of permanent systems of relatively equal traffic possibilities and financial strength. During the next few years, the railroads will be given an opportunity to consolidate by voluntary action, in accordance with a general plan of railroad grouping determined and promulgated by the Interstate Commerce Commission. The present unfortunate financial condition of the railroads will necessarily cause the process of consolidation to be slow, and it is by no means certain that even when the railroads regain their normal financial strength they will be disposed to work out the consolidations found by the Interstate Commerce Commission to be in the public interest. Doubtless Senator Albert B. Cummins, Chairman of the Senate Committee on Interstate Commerce, is correct in believing that Congress will have to pass a law compelling the railroads to consolidate. As he stated in the Senate, in debating the bill that later became the Transportation Act of 1920,

> It has been utterly impossible for any body of men to make a system of rates that will sustain the weaker railroads of the country, without giving the stronger railroads an income excessive and intolerable in its extent; and there lies the great fundamental obstacle in our system of rate-making. The Interstate Commerce Commission can no more give to each railway of the United States the return to which it is fairly entitled than it can annihilate distance or overcome any other law of nature. . . . It was obvious, I think, to the students of the subject long before the government took possession that we must adopt some plan that would remove this inherent fundamental difficulty.

The Senate bill contemplated such a grouping of railroads as would maintain inter-system competition; and it was provided that the capitalization of the consolidated systems should correspond to the actual value of the properties brought together.

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The obstacles to be overcome in bringing about the consolidation of American railroads in the manner just suggested are probably greater than can be overcome by voluntary action of the carriers. Experience will probably show the necessity for the amendment of the Act of 1920 so as to provide that after a period of five or seven years the carriers shall be compelled to consolidate, in accordance with the plan adopted by the Interstate Commerce Commission. For the next year or two, the country will note what progress is made by voluntary action, and will then decide whether compulsion is necessary to bring about consolidation.

Along with the consolidation of railroads, whether by voluntary action or by compulsion of the government, should come the federal incorporation of the railroads. A law for the federal incorporation of the railroads should have been included in the Transportation Act of 1920. The draft of such a law was included in the bill prepared by the National Transportation Conference that was convened by the Chamber of Commerce of the United States. It was a simple comprehensive plan of incorporation. This or some similar plan should receive early consideration by Congress.

There remains a question concerning which there is much difference of opinion. Should the administrative regulation of the railroads, as well as the determination of rates and revenues, and the exercise of the functions closely related to rates and revenues, be vested solely in the Interstate Commerce Commission, or should a separation be made of the executive and semi-judicial tasks of regulation, and the activities of the Interstate Commerce Commission be confined to those of a semi-judicial character? I have elsewhere stated the reasons why a federal transportation board should be created, and what its functions should be.[1] It should not be forgotten "that the success of the whole venture of regulation of the railroads must necessarily hinge largely upon the machinery that is provided to give effect to the laws that may be enacted." The Interstate Com-

[1] See *Proceedings of the Academy of Political Science*, vol. viii, pp. 572–574; also *Program of Railroad Legislation*, pp. 49–56 (this volume was published by the Chamber of Commerce of the United States, Washington, D. C.)

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merce Commission has functioned successfully for the purposes for which it was created. It is, however, too large a body, and is by temperament and method too judicial in its practices, to be a highly efficient executive board.

Successive statutes have increased the membership of the Interstate Commerce Commission from five to seven, to nine, and now to eleven members, and with the increase in membership there has been a multiplication in the executive tasks to be performed. Will it not be wise for Congress, when it again gives consideration to railroad legislation, to reduce the membership of the Interstate Commerce Commission to seven men and to limit its activities to the regulation of the rates and revenues of the carriers and the administration of the bureaus necessarily associated with this task. If this is done, the executive functions of regulation as they have developed to date, and as they will be increased in the future, might well be entrusted to a board of five or preferably three members, executive in practice and organization, and of maximum administrative efficiency.

In general, the government regulation or control of the railroads is a problem of securing for the country a system of railroad transportation adequate to the demands upon it and at all times progressively efficient. The railroads, the waterways and the highways should develop simultaneously, and they should be so coördinated that they will together form a physically unified transportation system. The government's task is largely executive as well as semi-judicial. For these reasons, it is probable that experience will demonstrate the necessity of amending the Transportation Act of 1920 by a law creating a transportation board entrusted with the executive task of the government regulation of the railroads.

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PRACTICAL TESTS OF THE TRANSPORTATION ACT[1]

I

THE Transportation Act of 1920 has been generally regarded as the most constructive congressional legislation in recent times. Its direct aim was to solve certain complicated railroad problems that had been growing in size and in importance for over a quarter-century. These problems became acute at the time the government took over the operation of the roads as a war measure, and it was generally apparent that the railroad properties could not be safely returned to their owners unless an honest legislative attempt was made to eliminate the accumulated difficulties of both the pre-war and the war periods. How far Congress succeeded in accomplishing this end by the Transportation Act and what further adjustments are desirable, are the subjects of this paper.

The practical and permanent features of the Transportation Act of 1920 may be summarized as follows:

First, it proposes to adjust railroad rates so that the carriers at all times shall be permitted to earn a reasonable return on the fair value of their property.

Secondly, it proposes to eliminate state interference with railroad rates and railroad financial policies.

Lastly, it aims to relieve the carriers from the incubus of perennial labor demands and union domination.

Let us see to what extent these admirable objects have been obtained.

[1] In view of the unusual interest attaching at the present time to the problem of governmental control of public utilities, it has been deemed valuable to offer the readers of the POLITICAL SCIENCE QUARTERLY in this issue two articles dealing with the question from different points of view. Both Dr. Sakolski, of New York University, and Professor Johnson, Dean of the Wharton School of Finance and Commerce, are scholarly specialists in the field of railroad economics. The editors, in conformity with their general policy, assume no responsibility for the opinions expressed or the recommendations advanced by the authors.—ED.

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As a means of rate adjustment the new railroad act provides:

> In the exercise of its power to prescribe just and reasonable rates, the Commission shall initiate, modify, establish or adjust such rates so that carriers as a whole (or as a whole in each of such groups or territories as the Commission may from time to time designate) will, under honest, efficient and economical management and reasonable expenditures for maintenance of way, structures and equipment, earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the services of transportation.

Incidentally, it should be remarked that this provision, regarded as the most important in the whole law, adds nothing new in theory or fact. Under the law, public utilities are entitled to charge rates that give "a reasonable return on the value of their property". The perpetual difficulty has been to define clearly "reasonable return" and "fair value". For almost a decade the Commission under the valuation section of the Interstate Commerce Act has been endeavoring to establish a basis of fair value. No definite policy has been adopted, nor is one likely to be finally and conclusively adopted until after years of litigation. In the rate testimony before the Commission the railroads presented the aggregate of their investment accounts as a basis of property value. In support of this data they exhibited figures of "tentative" valuations of fifty railroad properties obtained from the Commission's valuation department, showing that in the aggregate the values as "tentatively" reported were not very different from the aggregate of the companies' capitalization. The Commission seems to have seized on this point as a "safe way out", for in the decision wherein the railroads were given an aggregate valuation of $18,900,000,000 (against a property investment account of $20,040,572,611) it is stated that "so far as the work [of valuation] has produced results, either as to particular roads or as showing general tendencies or principles, we have given consideration thereto".

The Interstate Commerce Commission, knowing the responsibility placed upon it by the Transportation Act of 1920, un-

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doubtedly was intent on carrying out the letter of the law. The rate-making section of the Act explicitly states that the Commission when determining the aggregate value of railroad property "shall give due consideration to all the elements of value recognized by the law of the land for rate-making purposes and shall give to the property investment account of the carriers only that consideration which under such law it is entitled to in establishing values for rate-making purposes." Accordingly some method of establishing railroad value other than mere reference to the investment account is required before a sound basis of rate-making can be adopted.

Nevertheless the questions of valuation and adequate rates are of immediate importance under the provisions of the Transportation Act, since, after having increased freight and passenger rates to an extent which was confidently believed to furnish revenues that would result in the maximum statutory net return on property investment, the railroads have been experiencing the lowest scale of net earnings in their history. However, unforeseen circumstances which have arisen since the passage of the Act have made the rate-making provisions difficult of practical application.

In the first place the volume of traffic of all kinds due to widespread and almost universal business depression fell off abruptly to an abnormally low amount. Secondly, the wastes and inefficiency resulting from government operation combined with the higher wages and the restrictive labor regulations enforced by the Railroad Labor Board enlarged operating expenses beyond a point of financial endurance. Consequently, when the special session of Congress convened in the spring of 1921 serious and widespread concern prevailed regarding the railroads' financial stability. As a further complication, shippers began to complain of excessive charges under the new scale of rates, so that congressmen found themselves bombarded by petitions and complaints. Farmers, manufacturers, exporters, jobbers, commercial salesmen and others, all feeling the effects of the general business depression, naturally laid much of the blame on the increased transportation charges. Railroad security-holders, likewise, held up their hands in supplication

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for relief. They feared that the growing political pressure in favor of reduced railroad rates would have a most deleterious effect in decreasing the earnings of their investments in railroad properties.

It should be borne in mind that the rate provisions of the Transportation Act were essential at the time to stabilize railroad credit. The roads under government operation had exhibited such poor net returns that some sort of guaranty that higher earnings would result under private operation was required to prevent a disastrous slump in railroad securities. Congress was made to realize the situation. The result was a government guaranty of earnings during six months following return to private operation, and thereafter the statutory minimum return to be secured by higher rates. Nothing in the rate provisions of the Transportation Act, however, requires parallel increases or decreases in all freight or passenger charges to produce the statutory return on investment. The practical error of the Interstate Commerce Commission in carrying out the law was its crude method of indiscriminately making general rate increases. The resulting maladjustments must in every case be ironed out by further rate hearings and investigations. Unfortunately there has not yet been developed an agency which possesses adequate data as to the relation of freight rates to manufacturing costs or to the prices of commodities at points of ultimate consumption. Such information, scientifically assembled, to inform shippers and the public of the relation of railroad rates to commerce and living costs, is highly desirable. A coöperative organization of carriers would be the proper agency through which this information could be supplied, but no organization having authority over these subjects exists whose conclusions or suggestions could be generally accepted. Moreover small progress as yet has been made in scientific freight-rate adjustments from the standpoint of basic principles. Results of past experiences and the desire to maintain regional competition have been the chief factors in creating present freight-rate structures. The public is forced to rely upon governmental agencies to define and apply the principles which should originate with those who are conducting transportation.

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Railroad rate-making is an extremely delicate and difficult task, so that when a scale of charges covering the many groups and kinds of commodities is once established, railroad traffic officials are loath to make adjustments demanded by changes in competitive forces or in business conditions. This rate rigidity cannot be easily altered under the new powers of the Interstate Commerce Commission, since, in order to create the conditions leading to the practical application of the "rate-making rule", the Commission, in addition to controlling without interference every detail of railroad policy, must provide rate zones that will tend to maintain sectional economic and competitive conditions, and, at the same time, must furnish financial stability to the carriers. To accomplish all this without serious sectional and political controversies, seems almost impossible.

Hardly less glaring than the difficult application of the "rate-making rule" to bring immediately an adequate income on investment, is the ineffectiveness thus far of the provisions for the elimination or nullification of state and local interference with railroad activities. Restrictive and punitive state railroad legislation prior to the war had grown with such cumulative intensity, that the railroads in 1916 joined in a concerted movement for an entire new scheme of railroad control, whereby the companies would be relieved of the vexatious state interferences and political railroad-baiting. All told, between 1912 and 1915, it was computed that upward of 4,000 bills affecting railroads were introduced into the national and state legislatures, of which 440 became laws. Whatever the purpose of these laws, there was almost always a certain result, viz., increase in operating costs. The full-crew laws have been extremely costly: the law of small New Jersey alone added an operating cost of something like $400,000 annually. Hence it is with deep satisfaction that one may look upon the provisions of the recent Federal law which vest exclusively in the Interstate Commerce Commission regulatory functions formerly exercised in common with or exclusively by the states. The conflict between Federal and state authority began immediately after the grant of increased rates by the Interstate Commerce Commission. Most of the state public utility commissions refused to sanction proportionate

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intra-state rate increases and have carried their opposition into the courts. The litigation is still pending, so that a series of new Supreme Court decisions similar to the Shreveport and the Minnesota Rate Cases is awaited before the validity of the Interstate Commerce Commission's supreme rate-making power conferred by the Transportation Act is finally determined.

The grant of exclusive financial control to the Interstate Commerce Commission is likewise opposed as unconstitutional, by several of the states, though in this matter the opposition is not persistent, and is likely soon to disappear altogether.

The labor sections of the Transportation Act are likewise undergoing a serious test. The results thus far have been disappointing. As a means of settlement of the railroad labor problem, the new legislation is but a step toward a much-desired end. The measure, as finally enacted, however, does not amply protect the public or the railroads against the strike evil. It merely makes provision for a system of regional labor boards of adjustment, which, in a more or less haphazard way, had existed previous to government railroad operation. A national labor board of appeal, composed equally of representatives of employees, of the railroads, and the public, all appointed by the President, was created with power both to hear and determine disputes and to initiate investigations. The decisions of this National Board are not enforced by penal provisions. In view of the inability of previous national labor-adjustment boards to settle railroad labor disputes satisfactorily, it may be assumed that the public is not yet amply protected from railroad labor disturbances.

Thus far the labor adjustments formulated by the National Labor Board have not brought satisfaction to either the employees or the employers. After the return to private operation, the railroads naturally sought relief from the national labor agreements and other concessions to labor made by the Railroad Administration. These agreements, which covered the shop crafts as well as train operatives, proved exceedingly costly and n accordance with the claims of railroad officials, constituted a arge factor in producing the abnormally high operating ex-

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penses. The national agreements are opposed by the carriers chiefly for two reasons. First, they create a universal yardstick to which all carriers regardless of peculiar and widely varying operative and financial conditions must conform. Secondly, they "unionize" all railroad labor, including shop employees, many crafts of which had formerly worked under local regulations and had not the support of powerful national organizations. After the return to private operation, it was argued by the carriers that the national labor agreements were in reality not incumbent upon the railroad companies, since the companies were never parties to the contract. The railroads contended, moreover, that neither the Constitution nor any statute empowers Congress to compel employment of adult male labor in private occupations at a fixed wage rate.

After extended hearings in which both railroad officials and employees took part, the Railroad Labor Board formally set aside the national agreements. The Board's decision, however, sets up certain rulings in relation to railroad labor which are causing serious difficulties. The decision enforces "system" collective bargaining and establishes the rule that in local disputes and arbitrations "the majority of each craft or class of employees shall have the right to determine what organization shall represent members of such craft or class". The effect of this is likely to establish unionism on a national basis in all railroad crafts, since in view of the fact that local craft unions are under the jurisdiction and control of the national labor organizations, national uniform standards can readily be set up and again enforced.

For years, the leading railroads, in dealing with their employees in certain crafts (particularly shop employees) have adhered to the "open shop" principle. They have accordingly retained both union and non-union employees and if union wages and working conditions were adopted, they were not enforced as the outcome of direct agreements with the national labor organization, but were set up merely as each individual company's own "shop rules". It is only by this plan that the railroads can avoid domination by the national labor organizations in establishing wages and working conditions among their

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employees. The threatened destruction of the "open shop" principle by the Labor Board may mean a continuation of a uniform national standardized wage scale and working conditions for railroad labor in all sections, regardless of differences in the operating problems and the financial conditions of individual companies.

The dispute of the Pennsylvania Railroad with the National Labor Board illustrates the difficulties in the settlement of railroad labor disputes under the provisions of the Transportation Act. The Pennsylvania Railroad in accordance with its old-time practice, made arrangements with its employees concerning working conditions and the settlement of disputes. The Labor Board has ordered these arrangements set aside on the ground that the company had no legal authority to divide its system into regions and require the employees to elect regional representatives. They also ruled that the election of employees' representatives should be by open and not by secret ballot. The railroad company's officials maintain that unless the regional method of establishing wages and working conditions as contrasted with the "system" plan covering all the company's lines is maintained, the same conditions will prevail as existed under the recently abolished national agreements.

II

In view of the present difficulties in the railroad situation the question is naturally asked, "Is the Transportation Act of 1920 a failure?" Any answer must take into consideration present political and economic conditions in reference to the various provisions of the law. As a piece of legislation, the Act is too far-reaching in its proposed remedies and regulations to merit at this time general condemnation. This is essentially the conclusion drawn from the hearings before the Senate Committee on Interstate Commerce. The Senate inquiry has two prime purposes, viz.: (1) to ascertain the causes of high railroad operating costs, and (2) to estimate the effect of the increased freight rates on both the carriers and the shippers. There has been nothing in the investigation suggesting railroad nationalization or a return to government railroad operation.

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The causes of the high operating costs appear to have been the most pertinent part of the inquiry. Adequate data regarding the direct or indirect effect of general rate increases on railroad traffic or on the general business of the country are lacking. As already pointed out, neither the government nor the railroads have any research organization which has this information at hand. Consequently the only evidence of the effect of the higher rates on traffic that has been thus far presented to the committee has been in the form of personal opinions, guesses and biased deductions. As a result of the widespread business depression various groups of shippers and producers have been exerting political pressure to have rates on their particular commodities reduced in order to promote their own peculiar interests, regardless of the effect thereof on general welfare or on railroad income. Thus, eastern grain rates were reduced early in August twenty-five per cent for a period extending to the end of 1921 in the belief that this action would promote the export grain movement and aid the western agricultural sections. Reductions of rates on building materials, iron and coal products are also likely to be put into effect. The adjustment of freight rates to favor certain classes of producers is a "robbing Peter to pay Paul" policy that may have serious disturbing effects on general business.

The attitude toward the Transportation Act assumed by the railway executives at the Senate hearings is indicated in the statement of Mr. Thomas De Witt Cuyler, Chairman of the Association of Railway Executives. This statement makes it plain that the railroads are satisfied as a whole with the Transportation Act of 1920. The failure to earn a fair return on investment under the "statutory" rates and the heavy falling-off of traffic should not be taken as evidence that the Act is ineffective in solving the railroad problem. The blame for the failure lies with the Railroad Administration. This governmental agency, through its disruption of railroad operating methods and traditions, through its wasteful policies and through its national agreements with railroad labor organizations, has saddled a burden on the companies, which they are not able to shuffle off without difficulties and delays. Moreover, the increased rates

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granted by the Interstate Commerce Commission last August have not balanced the higher wage rates granted at the same time by the Labor Board, for while labor costs increased 115 per cent the gross revenues increased 54 per cent. As labor costs consume approximately 70 per cent of railroad revenues, there is thus a considerable gap between income and outgo.

Briefly, the testimony of Mr. Julius Kruttschnitt, President of the Southern Pacific Company, and the other railroad executives who followed him as witnesses before the Senate Committee, resolves into the following points:

(1) Heavier railroad operating costs are not caused by lower efficiency, since statistics show that in 1920 an increased volume of freight traffic was carried with fewer freight train-miles. Moreover, the miles run per freight car per day were greater in 1920 than in 1919 or 1918 (years of government operation), and the average tonnage per loaded freight car was also greater. Nothing is said, however, regarding the costs by which these results were obtained. Statistics indicating efficiency, to be conclusive, should be accompanied by figures proving economy in operations. Heavier train loads and high speed may be directly opposed to lower costs and greater profits.

(2) The national labor agreements inherited from the Railroad Administration and continued in force after the return to private ownership not only caused pronounced and excessive wage advances, but because of strict classifications of employees, the elimination of piece work, and the adoption of "union rules" and regulations also caused higher and disproportionate labor costs. Consequently, wage payments are tending to consume more and more of the railroad dollar.

(3) The poor physical condition of the railroads and their equipment at the close of government operation necessitated heavy maintenance expenditures and at the same time handicapped the lines in the efficient and economical performance of the transportation service. The operating cost per unit of traffic under these circumstances would naturally be in excess of the cost under normal conditions.

(4) The scattering throughout every section of the country of the railroad cars owned by the individual companies during

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the period of government operation resulted in a large movement of empty cars when each company began to draw its rolling equipment to its own lines. This extra expense, together with the necessity of repairing equipment that had been neglected and misused by the leasing lines, resulted in a considerable addition to total railroad operating expenses.

(5) Through an accumulation of restrictive legislation, such as the "long and short haul" clause of the Interstate Commerce Act, the Panama Canal Act (taking away from the railroads the control of steamship lines) and similar measures, the railroad companies have not been able to meet the competition of other transportation agencies. Hence they have lost traffic. The increasing use of motor trucks (operating without cost of right-of-way or of any fixed investment) is also causing serious losses of short-haul traffic. It is thus the complaint of the railroad executives that the services of their companies are unjustly discriminated against.

III

What are the remedies for the existing unfavorable conditions? The railroad executives in their testimony suggest several changes in national railroad policy, some of which are not likely to meet with congressional sanction. The executives, be it remembered, offered no serious opposition to the recently enlarged powers of the Interstate Commerce Commission, preferring this concentrated control to conflicting and annoying state regulation. The present railroad opposition to administrative control is confined largely to the enforced subjection to obnoxious labor-union rules. It is proposed, therefore, by the railroad executives that the Labor Board permit a prompt return to pre-Federal-control working conditions. In the words of Mr. Kruttschnitt:

> It is imperative to remove the waste and inefficiency fastened upon the railroads by rules and working conditions made by men who were indifferent to the future of the properties, and in the negotiation of which railroad owners had no voice. It is an essentially preliminary step in any effort toward the realization of conditions which make it possible for the railroads to live.

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Other proposals of relief comprise the repeal of the "full crew" laws and other state and Federal statutes saddling additional operating costs on the carriers. Discriminations against the railroads in favor of water carriers should be removed and the "long and short haul" clause of the Transportation Act repealed or modified. Rate adjustments covering single commodities or groups of commodities should be made when there is evidence that the increased rates have diminished traffic or have interfered with established market competition.

Wage reductions, changes in working conditions and adjustments of rates for the production of greater revenues, however, do not promise sufficient financial relief. Economic wastes in railroad operations require elimination. As Mr. S. Davies Warfield, President of the National Association of Owners of Railroad Securities, has pointed out, American transportation has outgrown the system under which it now operates and only a recognition of this fact "will save them [the railroad companies] from being swallowed up in the demoralization that Government operation and after-war readjustment has brought on them." The Security Owners, through Mr. Warfield, accordingly have proposed a plan of coördination of services and facilities under Government supervision. It is not expected that the general approval of this plan by many railroad executives and by the public will be received immediately, but whatever action is finally taken, it is an undisputed fact that intensive and unhampered economy is needed to save the roads from general bankruptcy and ultimate government operation.

The proposals of the National Association of Owners of Railroad Securities were brought before the Senate Committee in the testimony of Mr. S. Davies Warfield and Mr. Forney Johnston, president and counsel respectively of the Association. Testimony to the same effect was also presented by Mr. Walter Fisher, a member of President Taft's Railroad Securities Commission, Mr. John F. Wallace, a distinguished railroad engineer, and Mr. W. A. Colston, Director of Finance of the Interstate Commerce Commission. Mr. Warfield's plan as outlined in the testimony, proposes the creation of a national railway service board to act in coöperation with and under the supervision of

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the Interstate Commerce Commission. This board is to be composed partly of railroad officials selected from among the territorial groups of railroad officials, and partly of other citizens, preferably experienced business men and financiers. In each territorial group there is to be an advisory board presided over by a member of the national board. The national board is to be subdivided into two separate divisions: (1) the finance and administrative division, and (2) the railway officials division. The finance and administrative division is expected to be composed of officials of leading life-insurance companies, savings banks, investment and business institutions having a direct interest through ownership of securities or otherwise in the welfare of the railroad companies. The railway officials' division is to be composed of members serving on the divisional railway boards, who are to be elected by the carriers in the respective groups, with the approval and confirmation of the Interstate Commerce Commission. All decisions of the board or of the divisional groups in matters over which the Commission now has jurisdiction under the Transportation Act will be under the regulatory supervision of the Interstate Commerce Commission.

The primary purpose of the plan is the coördination of railroad service and railroad expenditures in order to eliminate the economic wastes of transportation and to encourage and facilitate the joint use of railroad property for public convenience and economy. The proposed new organization, therefore, would take the place of the present numerous voluntary railroad operating associations and, at the same time, relieve the Interstate Commerce Commission of much direct regulatory and supervisory work recently saddled on it by congressional legislation. If successful, the plan would avoid evils of direct Federal railroad control and operation, of which the nation has had a sad experience during the late war.

An illustration of effective coöperation of the railroads and the Interstate Commerce Commission in the provision of adequate standardized equipment, is found in the National Railroad Service Corporation, an organization created, through amendment of the Transportation Act, under the joint auspices of the

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Interstate Commerce Commission and the National Association of Owners of Railroad Securities. This corporation was formed to finance the purchase of new rolling equipment for the railroads which were unable to borrow at reasonable rates in the general money market. Under the plan of financing adopted, the Interstate Commerce Commission advances from the revolving fund provided under the Transportation Act, forty per cent of the cost of the new equipment. The remaining sixty per cent is furnished by the Service Corporation in exchange for a like amount of equipment trust obligations of the borrowing railroad maturing over a period of fifteen years. As security for the government's share of the financing, there are deposited with the Commission, "deferred" or second-mortgage notes having the same maturity dates as the first-mortgage equipment trust certificates. The latter are sold to investors and financial institutions. Several of the large insurance companies now hold large blocks of these securities. The National Railway Service Corporation is a non-profit-making organization, merely acting as the agency of the Interstate Commerce Commission in the matter of loans to railroads for the purchase of equipment.

Among the specific problems facing an organization created with a view to eliminating wastes and to encouraging and promoting further economies in railroad operation, are those relating to (a) the standardization and use of equipment, (b) the joint use of shops, yards and terminals, (c) the coöperative purchase of supplies, and (d) the harmonizing of traffic relationships. Many of these matters are under the jurisdiction of the Interstate Commerce Commission, but it is readily apparent that a governmental agency such as the Commission, acting in both a judicial and executive capacity, is incapable of adequately handling these problems without the direct assistance and cooperation of an organization composed of active railroad operating officials and practical business men. Should the railroads themselves not effect such an organization satisfactorily to all concerned, (including the Commission, security owners, shippers and the public), it may be found advisable to create by statute as an agency of the Interstate Commerce Commission a board of coöperation and research such as has already been appointed

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by Mr. Warfield's organization. This board should be concerned primarily with broad problems of railroad operation and economic policies, and in its advisory capacity could propose to the Commission desirable operating changes and rate adjustments which, under the existing competition among individual carriers, are frequently held in abeyance.

Experience has proven that the country cannot look to a thousand or so railroad executives, about 200 alone representing the larger systems, to reach agreements and conclusions among themselves, respecting the coördination of facilities and service, or the introduction of economies essential to guarantee the most efficient administration and methods of transportation under private management. Unless these conditions are recognized and relieved through definite authority the most approved provisions of the Transportation Act of 1920 will be rendered ineffective. And if the interest of railroad security owners were alone considered, it might be better for them to have the lines taken over by the government and paid for under fair methods for determining their value rather than that there should be a continuation of the present unsatisfactory railroad conditions.

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REFLECTIONS ON A CENTURY OF POLITICAL EXPERIENCE AND THOUGHT

THE importance of the intellectual factor in political life was strongly stressed by students of political science in the earlier part of the nineteenth century, and most notably of all by Auguste Comte. Though the subsequent success of Darwinism and the rise of historical materialism shifted the limelight of social thought in other directions, the idea was not entirely lost to sight. In one way or another, it was expressed by various writers after Comte. So Buckle in the fifties began his *History of Civilization* with the statement that intellectual development is one of the mainsprings of civilization. Some writers in dealing with this subject went even so far as to consider ideas and philosophy the only source of historical, political and social development. Even Marx attached preponderant importance to the psychological or intellectual factor when he made the realization of socialism dependent upon the "class consciousness of the proletariat". Indeed, the Russian sociologist, M. Kovalevsky reports in one of his essays that in a personal conversation Marx said he had never denied the importance of the intellectual factor nor was he unwilling to admit that it sometimes worked quite independently of its economic basis.

It were perhaps not without interest to dwell on this matter a little longer, did space but permit. For the clarity of what follows, it will suffice to declare the present writer's belief that ideas, being themselves molded by a plurality of other factors, economic, political, national etc., become very effective instrumentalities, almost independent of both social thought and social development. One of many possible examples may give point to this generalization.

Eighteenth-century liberalism had laid special stress upon "natural rights" and built its political world-view upon the principle of individualism. The sovereignty of the people was understood as the sovereignty of an aggregation of individuals,

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each separately possessed of certain inviolable rights which could not be asserted but by virtue of the "social contract". Then came the French Revolution, with its excesses and its Napoleonic aftermath, disturbing the international relations of the whole world, and creating in the European mind a certain predisposition hostile to revolution. The reaction against revolution manifested itself first of all in an effort to combat the older, individualistic world-view. The problem was three-fold: to begin with, the theory of natural rights must be denied; in the second place, the theory of the social contract must be refuted; finally, the sovereignty of the people must be denounced.

These negations soon became common with Continental writers and politicians. They were the guiding stars of political thought during the first quarter of the nineteenth century. French thought worked its way through the revival of theocratic theories. Ballanche, Saint-Martin, de Maistre, de Bonald assailed the idea that man is the creator of his own social life. Man is a sinner. He did not create himself; he could not create the social organism,[1] and he cannot manage it freely. Hence the people cannot be sovereign over things they did not create. But it was not the French theocratic philosophy which influenced the movement against natural rights and social contracts. It was rather the reaction against the revolution which brought the theocratic world-view into prominence. In Protestant Germany, for instance, where there was no ground for Catholic theocracy, political writers came to almost identical conclusions from other premises.

The historical school was born in Germany at the very end of the eighteenth century. Here we find Herder combating the theory of natural rights; he does not deny that it is applicable to the "preliminary stage" of civilization, but he protests against its application to the "historical stage of humanity", because "*Kein Staat ist auf ein Wortprincipium aufgebaut!*" Hegel ascribed to the individual a passive rôle in history. Savigny, according to Pollock, had already become a Darwinian before Darwin, and Schelling, to borrow the words of a Ger-

[1] This expression was not used at that time, but de Bonald, for instance, calls society "*le vivant.*"

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man writer, thinks that "*der Mensch hört auf des Mittelpunk der Schöpfung zu sein, er verschwindet in dem Spiele der Weltkräfte*". Later, religious writers like Stahl and Walters, although attaching a certain importance to the individual, and inclining to the view that the State exists for the happiness of individuals, nevertheless maintained as did the French theocrats the principle of the passiveness and rightlessness of the individual. They denied the historical, philosophical or ethical value of the social-contract theory.

Thus we see that an idea, or as A. Fouillée would prefer to say, an *idée force*, arising from political changes, possesses social thinkers no matter what theory or what philosophic system may be applied for its rendering.

But the earlier part of the nineteenth century did not offer very favorable conditions for the dissemination of ideas as predominant factors in social life. The Industrial Revolution had not as yet developed its full energy. Nations, cities, towns, and even minor social units were not so closely connected as today.

The achievements of the Industrial Revolution brought people closer together. The periodical and especially the daily press became the chief conductors of current ideas. Consequently, public opinion, current ideology, the popular state of mind—it matters little what we call it—became the most powerful factor in social life. Of this statement, the enormous success of Darwinism and of historical materialism is the best proof.

It would therefore be not far from the truth to say that the nineteenth century was a century in which psychological or intellectual energy had a special bearing upon social and political thought. In further corroboration of this point of view more concrete illustrations will be brought forward.

II

The other characteristic trait of nineteenth-century thought was the comparative indifference with which purely political problems were treated. The field of jurisprudence and of penology or criminal sociology was enriched; but purely polit-

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ical problems, i. e., problems of state organization and administrative institutions, were overshadowed by economic and industrial concerns. The first half of the century was still very active politically. Revolutionary storms continued to break as an aftermath of the French Revolution, but the issues involved began to acquire a more and more social aspect. With the exception of the great battle over the electoral reform of 1832 in England and some features of the outbreaks of 1848, political energy seems to have been allayed and replaced by economic energy. This transition was partly due to the disappearance of absolutism from western Europe, partly to the growing labor problem, which drew the people's attention from the purely political field.

On the whole it may be said that a process of political adaptation took place all over western Europe. Constitutional, parliamentary England, parliamentary and republican France, constitutional but non-parliamentary Germany, lived a more or less normal life and it was not the political problems which were the issue of the day. Russia's imperial autocracy was not an obstacle to her affiliation with republican and parliamentary countries. Republican free cities like Lübeck and Bremen could exist tranquilly under the supervision of an unparliamentary imperial government. Briefly, the form of government seemed not to matter, provided a certain minimum of civil rights was granted.

Even the radical elements like the socialists ended by adapting themselves to the existing forms of political community. The reformist and revisionist movement in German Social Democracy spread very quickly all over Europe. Even in Russia, where the political struggle was growing more and more acute, we find conspicuous theoreticians like Plekhanov and Maslov joining the ranks of the reformists.

The process of adaptation seemed to have been completed. The political *ultima ratio* seemed to be: (1) individual civil liberties; (2) a certain amount of responsibility (in form and in fact) of the government before the people, or public opinion. I say a certain amount, because there is an enormous difference between the responsibility of the British cabinet before

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the Commons and the moral responsibility of the former Imperial German cabinet before the Reichstag, or the purely illusory responsibility of the Russian Tsarist cabinet before the consultative Duma.

In the meantime the industrial and economic activities of Europe grew; the complicated economic system required certain regulations; the State (no matter in what form) grew in importance as a regulative organ. The State gained power. If a state did not undertake the direct control of or interference with the competing social forces, as was done in Germany, it nevertheless grew in importance and power by developing its protective economic policy, by increasing its armaments for protection against an industrially aggressive neighbor, as France did, or for the more active realization of its overseas or overland expansion, as in the case of England and of Russia. The State reached such a degree of power as had been unknown since the Roman Empire. A social development thus brought about a purely political result—the preponderant rôle of the State.

On the other hand (and this is the paramount sociological feature of the nineteenth century) the individual underwent a double process.[1] The growing complexity and activity of economic life required a more energetic and more independent individual. The individual showed a tendency for more and more independence and initiative, the "right to ignore the State" for the sake of private initiative. The inheritance of eighteenth-century ideals was helpful in the shaping of this tendency. The individual asserted his autonomy.

At the same time the increasing interdependence among the different particles of society required of the individual a certain adaptability to the new conditions, a certain mode of social as opposed to individual behavior. The growth of class organizations and group or class struggles submerged the individual in a new social consciousness. This fact led to the birth of the new idea of solidarity, which has played such a conspicuous part in contemporary sociology and of which Professor

[1] Especially illuminating in this respect is the analysis given by Fr. W. Foerster in his *Weltpolitik und Weltgewissen* (München, 1919).

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Giddings's theory of the consciousness-of-kind is one of the expressions.

In view of these facts, traced as they are in broad lines only, it is clear that two distinct attitudes as regards the State might develop. One might ignore the State; this tendency is characteristic of English thought, especially since Spencer, and of syndicalism all over Europe. On the other hand one might easily overemphasize competency of the State; such has been the predilection of German political thinkers and of Marxians.

III

The two above-mentioned tendencies characterize the political thought of the last hundred years. The post-Napoleonic period began in 1815 with a rather chaotic state of mind. The dictatorial tendencies of the Jacobins and the theocratic tendencies of the Catholics, combined with the beginning of parliamentarism and the growth of the Fourth Estate, required a disentanglement of social thought, a re-crystallization of ideals. Saint-Simon is one of the best illustrations of this philosophic, social and political *intempérie*. Saint-Simonism is a composite of Robespierre's idea of centralized power, de Maistre's or Saint-Martin's idea of a universal, unified church, and the utopian idea of the early socialist and anarchist communism.

It was the task of Auguste Comte to clarify the horizon, to put the dispersed social ideas on a solid basis. But he hardly succeeded in doing so. He began with pointing to the existing intellectual anarchy, to which he ascribed all social ills, but he ended rather inconsistently when in the latter part of his life he addressed letters to one of the most reactionary monarchs of Europe, to Tsar Nicholas I, hoping that the latter would help him in establishing the kingdom of philosophers and artists. He apparently was not aware of the fact that Nicholas I promised protection to the father of Russian poetry, Poushkin, only under the condition that he would not write satires against serfdom. Comte, however, left certain premises which proved both characteristic of and very instrumental in the political thought of later generations. For him, as for Hegel, "*L'homme s'agite et l'humanité le mène*". The science of the state is a

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"*science d'observation*".[1] Since we have to confine ourselves only to "*observation historique sur la marche de l'esprit humain*", the *esprit humain* cannot find its realization in the acts of separate individuals, no matter how great they are. Like the *Weltgeist* it is to be realized not through individuals who are passive observers of and participants in life, but through "*l'énergique prépondérance d'un pouvoir central*".[2] As Hegel said, "Universal History is unthinkable without a World Government (*Weltregierung*)." In this respect Comte repeated in a different way Dante's idea of a universal monarchy.

Comte denied right or law (*droit*). This word, according to him, had to be crossed out from the terminology of positive philosophy.[3] As his correspondence evidences, he was a partisan of a dictatorial form of government. The dictatorship of Robespierre could not satisfy him. He approved of the dictatorship of a Cavaignac. That positivism in itself did not necessarily require such a political world-view is proved by the fact that J. S. Mill, who many times expressed his approval of Comte's social philosophy and who in turn received full approval from Comte when the latter read his (Mill's) *System of Logic*, arrived at an absolutely opposite political view. Apparently we deal here with a certain tendency which later acquired a more concrete expression after Darwinism became popular and Marxism found response amongst the leading thinkers.

For our purpose it is important to take notice of the following points in Comte's system. It has a half-fatalistic and therefore an anti-individualistic character, and also assumes a comparatively indifferent attitude toward the moral value of practical politics. He has a certain aim in view. This aim he considers good. This consideration is enough for the satisfaction of his conscience. The second and by no means less important point of Comte's social philosophy is his objectivism.

[1] A. Comte, *Opuscules de philosophie sociale* (Paris, Leroux, 1883), pp. 99 and 105.

[2] A. Comte, *Discours préliminaire au system de politique positive*, vol. I, p. 126.

[3] A. Comte, *Cours de philosophie positive*, vol. VI, p. 324.

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He has done with such subjective notions as natural rights or rights in general. He is interested in an objective method of observation.

IV

Beginning with Comte, the social thought of Europe emerges from the stage of intellectual anarchy and enters the second half of the nineteenth century with an apparent tendency toward naturalism and consequently objectivism.[1] More and more the conviction grows that social life can be compared with the life of an organism. This idea is not new. It was Plato who said that the state is a "big man". Plutarch, repeating Plato, had a more distinct idea that social life is organic. John of Salisbury in his *Policraticus* summed up the knowledge of his time and expressed the same organic point of view. De Bonald, Schelling, Savigny, Friedrich Röhmer, Bluntschli, were preoccupied with this analogy. In Spencer it acquired a more or less definite form. After Darwin it was developed as a sociological system in the writings of Novicov, Lilienfeld, René Worms and others.

The organic and evolutionist world-view influenced deeply the political thought and practice of the nineteenth century. First, the passive rôle, or, to be more definite, the historico-political insignificance of the individual, became an almost axiomatic belief. This belief was strengthened by the wealth of biological research and the possibility of socio-biological similes. The Hegelian *Weltgeist*, the Comtean *marche de l'esprit humain*, was no mere metaphysical maxim but a positive truth, under the name of progress and evolution, corroborated by biological facts. These similes not only transferred the center of gravity from the individual to the social organism as a whole, but, enforced by the idea of evolution (in the biological sense), they created a semi-fatalistic and a centralistic tendency in the field

[1] I limit myself to landmarks of social thought and to the survey of those tendencies which proved to be influential and instrumental in the political life of Europe. Therefore the reader will not find here any mention of theories and systems which have only a philosophic or theoretic interest and require the attention of the philosopher.

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of social and political thought. The organic theory did not exercise its influence directly upon politics. As in the case of J. S. Mill and Comte, a libertarian and individualistic system was easily derived by Spencer from almost the same premises as those which led other thinkers (e. g. Lilienfeld and Schäffle) to believe in a centralized, hierarchic state, conceived as a harmonious social *Körper*. But on the whole, as far as the writer's knowledge goes, there was no serious attempt to base a political theory on the organic world-view as such. As was pointed out by M. Kovalevsky and the Dutch anthropologist Steinmez, the organicist never went further than analogies like these:

> The army in its defensive rôle corresponds to the epidermis. The brain is represented by the government, to which the thinkers, scholars and literary men must be added. The telegraph wires are the nerves. The highways and the merchants who travel upon them—blood vessels. The capital is the head of society; the stock-exchange its heart. The bankers are the motor nerves of the blood vessels; the shops and factories are the glands; the leisurely rich men represent the grease glands. And finally the excretory apparatus is represented by the police, by the courts, etc. [René Worms.]

It is obvious that it is difficult to derive any moral content and ethical significance of justice from the notion of excretory apparatus.

V

The organic or Darwinian theory of society found its best application in Marxism. The latter may without fault be called economic and social Darwinism. True, Darwin would perhaps protest against this, as Spencer protested early in the nineties against the use by terrorists and anarchists of his "Man versus the State" as a justification of their ideas.[1] The fact nevertheless remains that for some reason or other (this is not the place

[1] Spencer influenced to a great extent the social philosophy of the Russian non-Marxian revolutionists (populists). The land program of the Socialist-Revolutionist is wholly based upon the teaching of Spencer, which was introduced into Russia by N. K. Mikhaïlovski, the leading theoretician of the Socialist-Revolutionists.

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to indulge in a further philosophic analysis) the European during the second half of the nineteenth century was more responsive to materialistic ideas than to any others, and tried to mold his world-view and act according to objectivist and materialistic ideas which were provided by science, ignoring other ideas which were branded as metaphysics.

The Marxian materialistic attitude toward society and its development had a specially strong bearing upon the minds of modern thinkers; it appealed to them because of its preciseness, clarity, and straightforwardness. It appealed so much more because it indicated the final, inevitable, fatal outcome of social development and thus brought to a certain synthetic end the secular contradiction between the ideal as conceived and the actual as practised. When Plato wrote his *Republic*, he knew it was a vision only; he wrote in addition *The Laws* to make clear what can and must be done in actual life. Cicero had his vision of an ideal but supplemented it by *De Officiis* as an expression of practical possibilities. Karl Marx, however, pointed to an ideal which, he said, will inevitably come because history requires it. Hegel's *Weltgeist* was supplanted by the law of capitalist evolution. The dynamics of evolution were found in the struggle for existence, which was expressed by the economic term "class struggle". The fittest was called producer or proletarian; the survival of the fittest was expressed in the idea of the final triumph of the proletariat, the goal of history.

Before pointing out the bearing of this world-view upon the political tendencies and practices of the latter part of the past century, we must note the following fact.

As was indicated above, the European mind in the nineteenth century, despite the sophistication and subtilization of individual consciousness, yielded to the pressure of social interdependence and was inclined to think in anti-individualistic terms. Even the individualist J. S. Mill had a vision of a socialistic ideal. The growth of the social conflict between capital and labor increased the craving for a solution of the problem, and socialist or communist utopias began to draw the attention of not only the protestants and revolutionary theoreticians and

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practicians, like Babœuf or Proudhon or Marx, but of more moderate thinkers. Socialism attracted attention not only as a practical program, but as a scientific doctrine, as a basis for social science. In this respect it is of interest to note that Comte insisted that his positivist doctrine was nothing else but "systematized socialism". Marxism was not only a theory for revolutionary fighters, but a system which enthused many influential sociologists. As early as 1865 there appeared an economic interpretation of history written by a Russian, Zieber, who made the first attempt to explain from an economic standpoint the whole history of humanity, including certain phases of prehistoric life.[1] In 1877 Virchow declared at the Congress of Naturalists in Munich that Darwinism leads directly to socialism. A few years later the noted Italian criminologist, Enrico Ferri, found in Socialism just the kind of collectivism which was "opposed both to the frantic anti-social individualism of our days and to Spencerian evolutionism". Enrico Ferri, I think, is one of the first who pointed out the direct connection between positivism, Darwinism and Marxism. Later, in a special work, he propounded his ideas in a more systematic form in his *Socialismo e Scienza positiva, Darwin, Spencer, Marx*.[2] About the same time, at the first sociological congress held in October, 1894, in Paris, Ferri went even so far as to declare: "*le socialisme est le point d'arrivée logique et inévitable de la sociologie et celle-ci ne pourra vaincre cet arrêt de développement qui menace d'en sécher les racines vitales qu'en allant franchement et purement à sa conclusion logique*".[3] The concluding words of the paper quoted are emphatic: "*La sociologie sera socialiste ou elle ne sera pas*".

But whether socialist or not, Marxism found its direct or indirect adherents among the historians and sociologists of the latter part of the nineteenth century. The works of Kelles-

[1] Professor Seligman in his *Economic Interpretation of History* refers to such attempts as having been made first in the nineties, apparently because the work of this Russian author, being untranslated, remained unknown to the Western world.

[2] Published at Raina, 1894.

[3] "*La Sociologie et le socialisme*", in the *Annales de l'Institut International de Sociologie*, vol. I (Paris, 1895), pp. 157–168.

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Krauz, Achille Loria, Woltmann, Seligman, Ferd. Toennis, are not to be classed as exceptions. They are highlights of a general tendency.

VI

Coming now to the political problem, the problem of State and Government, as influenced by the three main currents of social thought of the nineteeth century (positivism, Darwinism and Marxism), we prefer for the sake of clarity to deviate to a certain extent from the historical sequence of events and theories. We shall forego the analysis of the Comtean political world-view until later, when dealing with Marxism, and begin with the Darwinian or organic theory. As has already been suggested, the latter did not influence political thought directly, although it expressed perhaps more frankly and exactly the real state of mind of three or four decades of the century. It was a period of political indifference and adaptation, which soon began to betray a certain degree of unrest and uneasiness and which in turn developed into a period of revolutionary theories and outbreaks.

Purely political ideas are to be found unsystematized and dispersed among many writings of organicists like René Worms, Novicov, and Lilienfeld. The evolution of political forms was considered specifically by Lilienfeld in a substantial paper "*Ya-t-il une loi d'évolution des formes politiques?*", read before the Second International Sociological Congress held in Paris in September–October, 1895.[1] As was to be expected, Lilienfeld denied that there existed any law of evolution for political forms. In treating the social commonwealth as a biological organism, he found that the form of the organism did not matter; it was the growing hierarchical, physiological interdependence of the cellules, and it was the organ they composed which mattered. He found monarchies among the primitive Africans; elective monarchies among the Aztecs, and a feudal régime among the Monjago-Papels—i. e., the same variety of political form as in contemporary history. It was not the polit-

[1] In the *Annales de l'Institut International de Sociologie* (Paris, 1896), vol. II, pp. 235–258.

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ical form that evolved, but the organs of the social body despite and regardless of the form of government.

During the subsequent discussion, Letourneau and Limousin opposed most violently the thesis of Lilienfeld by refuting his naturalistic parallels, but the most clear-sighted criticism was that of René Worms, who made it clear that Lilienfeld presented an apology for the political *status quo*, rather than a scientific doctrine. The French scholar was right in suspecting that Lilienfeld, being a Russian Imperial Senator, was predisposed to defend the *status quo*, since he accepted the autocratic government in Russia as legitimate from the socio-biological point of view. Worms was so much the more correct in that he made clear the utter indifference to political and governmental progress which had prevailed for a couple of decades and of which Lilienfeld was the echo in the nineties.

This naturalism did not feel or did not solve the political problem of the century, which grew more and more acute. The frantic and anti-social "individualism" mentioned by Enrico Ferri made itself felt more and more strongly in the field of economic competition. The State was driven further and further to resume the authority and power of which it was deprived by the thinkers of the eighteenth century. A readjustment was necessary and inevitable. The nineteenth century in fact was unable to solve the problem through the two other tendencies (positivism and Marxism or economic Darwinism). The Great War and the subsequent revolutions are not solutions but rather results of the insolvency of both the political practice and the thought of the nineteenth century.

If we take at random leading social thinkers of the latter part of the nineteenth century, we shall easily discover their innate indifference to this problem. Evidently it was considered secondary since it was overshadowed by the economic aspect of social development. Be it Émile Durkheim, who was inclined to see in purely economic organization and in the adjustment of distribution a step forward, or Achille Loria, a devoted student and adherent of Marx, who saw in the monarchy of present-day Italy the best political organization, we in fact have to deal with an indirect acknowledgment of the impossibility or

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futility of stressing the political problem. Émile Durkheim almost ignores it as a *quantité négligeable*. Loria accepts it as it is by justifying it in formulæ of a Marxian sociology.[1]

In another aspect, indifference to the problem has the appearance of leniency toward the State and of a willingness to strengthen it. Of this tendency a typical representative is the French Professor Bouglé. His contention is that social progress depends upon the ever-growing *idées égalitaires*, which develop among modern democracies. The growth of equalitarian ideas depends upon the specialization and division of labor. This division does not always bring about progress and solidarity. In order to make it a factor of progress it must be performed in a society where the controlling and distributing apparatus (government and administration) is growing in competency. The centralization of the government and the *idées égalitaires* develop concurrently. Beyond doubt the ideas of the French professor are influenced by the German political thinkers, of whom he was a student for a long time and from whom Marx inherited his statism. Watching the growth of state power not Bouglé alone was inclined to see in this growth the progress of society, but the reformist and revisionist Marxians, even some syndicalists, were inclined to enforce this growth by the demand for nationalization of public utilities, thus laying the emphasis upon the old Marxian and (as we shall see also) Comtean idea of the great social mission of the State as such.[2]

We have thus reached the main point and perhaps the climactic point in the development of nineteenth-century political thought.

The State is the chief power. It must possess the greatest

[1] For Loria the class struggle is not a factor of progress, since between the two struggling classes (capital and labor) there is a third, the middle class, whose interests suffer because of this struggle. The dominant power of the State must belong to the third class, which must prevent the crisis. This class according to Loria is represented by the king.

[2] The idea of the social mission of the State certainly does not date from Marx or Comte. Plato had already a clear vision of the State as an economic regulative and distributive institution. In modern times Leibnitz, to a certain extent Lamennais, and especially Fichte, saw in the State the bearer of economic rights and duties.

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possible power in order to bring about the necessary and inevitable social justice. But it is important clearly to define to whom this power should belong. In order to serve progress this power must belong to a certain class or group and only to that class or group. This is roughly the character of the reasoning of the radical and the revolutionist, who instantly busies himself with two problems: (1) how to bring about a revolution and (2) how to organize the proper almighty state which will serve the purpose of realizing the desired consummation—communism. In this respect the positivist and the Marxian, Auguste Comte and N. Lenin, find themselves, strikingly enough, in full agreement, as we shall presently see. This coincidence is not unnatural, since, as I tried to make clear above, positivism and Marxism are only the intellectual and economic features of social Darwinism, which is at once intellectualistic and mechanistic. Enrico Ferri in his report, already quoted, to the First International Sociological Congress, tried to rid himself of the militant implications of socialism. Legalist and criminologist as he was, Ferri pointed to the following four forms of social transformation: (1) *evolution*, which according to him is a rule for all natural phenomena from astronomy to sociology; (2) *revolution*, which is but a climax of evolution; (3) *revolt*, which may or may not be a part of a revolution; and finally, (4) *personal violence*. Ferri entirely disapproves of the last two forms as falling within the field of social pathology, not of social physiology, in which the first two belong.

But among consistent Marxians Ferri is an exception. The Marxian desired to strengthen or accelerate evolution by revolution exercised through revolt and violence. Therefore, the revolutionist had to busy himself with two fundamental things: the justification of revolution and the justification of violence.

The old Lockean or Jeffersonian justification of revolution did not suffice because it dealt with the *right* of making a revolution and not with the desirability of it. A revolution was a *right* and not a *duty*. The nineteenth-century radical thinkers, from Comte to Georges Sorel and Lenin, made it a *duty*. This is the basic difference between the political vision of the two

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centuries. A right may or may not be exercised. When it is, it is good, and must not be opposed; when it is not, the forbearance is sometimes even commendable but at any rate not blamable. Another thing is duty; its performance is praiseworthy; its dereliction culpable.

When a stranger is dangerously ill and uses my quilt to cover his body, I may, as the owner, take my quilt away from him and leave him exposed to cold. If I refrain from exercising my right I shall have done a good thing. If I do exercise it, I shall be wrong despite my technical right. But elevate the taking-away of the quilt to the level of duty, and I shall be not only legally inconsistent but morally delinquent if I allow the stranger to retain my property.

The last two or three decades of the century under review established it as an objective and incontestable duty to prepare and make revolutions. As regards violence in revolutions, the writings of Edward Berth, George Sorel, L. Trotzki and N. Lenin, to mention only a few among many, try to make it clear that the Machiavellian principles alone are applicable. Machiavelli said: "When a state undergoes a revolution, whether it be that a republic becomes a tyranny or that a tyranny is replaced by a republic, it is necessary that a terrible example should strike fear into the hearts of the enemies of the new order of things."[1] It must be borne in mind that the Machiavellian method seems to be the only natural outcome of an intellectualistic system of thought in which moral value is attached only to the final aim and in which social life is but a mechanistic process for the achievement of that aim.

In such a system, logic, clarity and consistency play the active parts of social behavior. That is why the active and radical variants of Comtism and Marxism coincide. In the correspondence of Comte we read: "I characterized the autocracy of people by the words, 'the revolt of the living against the dead'. Equality, I think, is an immoral lie, and universal suffrage a social disease".[2] One is reminded that Lenin char-

[1] *Discourses upon Livy*, Book III, chapter viii.

[2] *Correspondances inédites d'Auguste Comte*, collected by Levy-Bruhl (III série, Paris, 1904), p. 101. Letter to de Toulouse, April 22, 1848.

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acterized universal suffrage as "bourgeois prejudice" and liberty as a "bourgeois lie". The real active factor, according to both Comte and Lenin, is the people, by whom both understand the proletarian class. Lenin has an almost blind faith in the masses. He is fatalistic (compare Comte's "*Marche de l'esprit humain*"). For him a militant, revolutionary, active man is the mainspring of history and therefore only "permanent revolution" (the term belongs to Lenin himself) is constructive. It is of interest to compare this attitude with the following utterance of Comte:

> The bourgeoisie intends to rule, but actually it only impedes progress. Only the people push things forward and guide the movement, although they do it in a disorderly way. We shall never have any real government until the popular pressure becomes *preponderant and systematic* [*cf.* Lenin's *permanent*]. Until that time we are compelled to satisfy ourselves with the fruitless and ugly struggle amongst the political parties.[1]

Thus Comte would stop the competition between political parties, making it impossible to impede the popular pressure. Dictatorship suggests itself as the more desirable form of government. Moreover, Comte later completed his idea by writing the following words to de Toulouse on August 9, 1851: "Still in 1830, I declared that order would never be established in France, until the government went over into the hands of the proletarians."[2] Comte certainly believed that this could and should happen only through permanent and systematic pressure, for, "universal suffrage is a social disease". "Communism", (he wrote on September 17, 1849) "is suppressed in the center of the Occidental world. Its best representatives emigrated to America and crystallized themselves there.[!] But apparently the unnoticeable influence which was exercised by communism on the ancient republican doctrine transformed the latter into socialism which, with the proletarians, its true representatives, is the positive interpretation of the republican principle." Lenin came to the same idea as the founder of positivism.

[1] *Ibid.*, p. 171. Letter to de Toulouse, Dec. 18, 1848.

[2] *Ibid.*, letter to de Toulouse, August 9, 1851.

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The new idea of the Soviets, as constitutional, representative, proletarian institutions, is only a supplementary form, but the basic idea is the same.[1] Moreover, if the Soviets as institutions should be opposed to the policy and program of Lenin, he would believe in a dictatorship without the Soviets; this fact was recently corroborated by Zinoviev, the Petrograd dictator, in his book on Lenin.[2] The characteristic traits of both world-views are the belief in the State as the only regulative and progressive factor in the realization of the final aim, and the absence of any practical ethics of the means.

That Comte and Lenin agree on the practical program is not a mere coincidence. It is proof that during the past century economic and mechanistic development eliminated almost entirely the ethical conception of society. In a period when individual conciousness is highly refined and when individual well-being depends upon the whole of the community, it is impossible to solve the problem by strengthening the State because during the nineteenth century the differentiation of the human commonwealth was brought to its acutest form.

The individual as the ethico-psychological unit, society as the purely ethical unit, and the State as the purely practical executive unit, cannot be reconciled without the introduction of ethics as an active and integral element of political thought and practice. This idea was neglected by the nineteenth century, and at the opening of the twentieth as at the opening of the nineteenth century, one meets the predominant idea of the increasing centralization of political power and the practical rehabilitation of Machiavellism. The writers who tried to connect the social and political problem with religious progress (e. g. Benjamin Kidd) or ethical progress (e. g. E. de Roberty) were not only the least numerous, but they were the least influential among the theorists and practicians of nineteenth-century politics.

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[1] *Cf. The Proletarian Revolution* (N. Y., 1919), and *Two Tactics* (in Russian).

[2] Petrograd, 1919.

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A CURIOUS CHAPTER IN CONSTITUTION-CHANGING

"THE organization of the state within the Constitution", declares Burgess, "determines whether the state shall develop with peaceable continuity or shall suffer alternations of stagnation, retrogression and revolution."[1] It is for the purpose of assuring this orderly evolution, this gradual yet certain adaptation of the mechanism of government to constantly changing conditions, that in our constitutions, and especially in our written federal and state constitutions, provision has been made to render amendment and revision possible without uprooting the foundations upon which they were laid. The extent to which these amending clauses are "workable", the measure in which they meet the real needs of the people and prove capable of withstanding the shocks of spasmodic agitation or of passing popular frenzy, must be the test of their sufficiency and usefulness. If "unworkableness" produces stagnation, it is sure to cause steadily deepening discontent and to invite recourse to extra-constitutional or semi-constitutional devices which border on revolution. It is my purpose in this article to describe the interesting, if not unique, experiences undergone by one of our American commonwealths in emancipating itself from the seemingly insuperable rigidity of its constitution.

Nebraska made the transition from territorial government to statehood in 1867 under a constitution hurriedly patched together by the legislature the preceding year to meet the exigencies of post-bellum politics and "counted in" by not too scrupulous methods. The new commonwealth was in a rudimentary stage of society. It was a typical frontier state, with few inhabitants, sparse settlements and but little accumulated wealth. With the advent of the railroads and the consequent influx of a more heterogeneous population, a demand arose for

[1] Burgess, *Political Science*, I, p. 137.

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a more up-to-date constitution. The first attempt to gratify this demand proved abortive, the constitution drafted by the convention of 1871 failing to gain ratification at the polls. More successful was the constitutional convention of 1875. Nebraska's new constitution, prepared by this second convention, was modeled chiefly upon the recently adopted constitution of Illinois and embodied the customary dual machinery for amendment. Amendments proposed by the legislature, three-fifths of the members of each house approving, would be submitted to the people at "the next election of Senators and Representatives", provided that the text had been published at least three months before the popular vote. The consent of "a majority of the electors voting at such an election" was required for the enactment of the amendment. If several amendments were submitted at the same time, the electors must be permitted to vote on each separately. In case a more thorough recasting of the constitution were contemplated, the legislature might similarly submit the question whether a constitutional convention should be called, and, upon popular approval of the project, the legislature would arrange for the election of delegates. Whether in the form of a new constitution or in the form of separate amendments, the work of the convention would have to be submitted to the electors and could be ratified only by "a majority of those voting for and against the same".

On its face, this plan appeared perfectly simple and wholly adequate. Was it not left to the people at will to change the framework of their government whenever moved to do so? The voters chose the members of the legislature who, as their representatives, must submit any measure insistently demanded by the people and the same majority that elected these legislative representatives would ratify an amendment or call a constitutional convention. Would not the danger be more apt to lie in the opposite direction, that successive fads promoted by demagogic schemers or ill-considered cure-alls for cursory political ills might be hastily ingrafted upon the fundamental law, before the people had time for sober second thought? The constitution of 1875 included many valuable features and afforded salutary protection of individual liberty against official

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and corporate aggression. It was a question rather of retaining and safeguarding these advantages than of shutting out desirable reforms. The possibility that chronic indifference on the part of the people might completely block all constitutional changes, after the manner provided, not only did not at the time suggest itself but was demonstrated only as the result of repeated trials and disappointments.

For thirty years, despite the constant submission of amendments, the Nebraska constitution of 1875 remained exactly as originally adopted, with just one exception. During this period no less than twenty-three proposals were put before the people by the legislature, but though the votes "for" on most of them exceeded the votes "against", all of them failed of the requisite majority of the total vote cast in the election. The only exception was an amendment raising the pay of the legislators. After having been lost once, this was rescued and declared adopted upon re-submission two years later, thanks to the dubious expedient of a "recount", the recount being made with liberal allowances by the lawmakers who were to be the beneficiaries. In the meantime, a contributory decision had been secured from the Supreme Court to the effect that the needful constitutional majority for adopting amendments was not the total number of ballots, nor the total vote for governor, but the total for candidates for the legislature in the several districts.[1] This achievement inspired like recounts on several subsequent proposals, yet without result. It is curious to note that these recounts always increased the affirmative vote, but left the negative vote substantially as returned by the canvass. A final effort was put forth to amend the amending clause, only to be frustrated by the same shortage of votes, due to the indifference of the voter who left his ballot unmarked.

It may be urged with some degree of plausibility that, if the people of Nebraska refused to vote in sufficient numbers to ratify these amendments by simple majority of those participating in the election, they thereby afforded proof positive that they were content with the existing constitution and in fact

[1] State *v.* Babcock, 17 Neb. 188.

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were opposed to the amendments presented for their determination. It is hardly reasonable to assume, however, that the inhabitants of what had become a prosperous and promising commonwealth really wanted their governor and the judges of their highest court to continue to serve them for $2500 a year, because that was the salary fixed in 1875; nor that they wished to cling tenaciously to their guaranties of civil liberty and equality before the law and at the same time to nullify these rights by refusing to provide judicial machinery capable of dispensing prompt and speedy justice, any more than that they preferred to have their school funds farmed out as perquisites of their custodian. Though amendments to remedy these defects were voted on ineffectively more than once, those concerned in their correction refused to charge the responsibility to anything but the inertia and neglect of duty on the part of the non-voting electors.

Under stress of this discouraging situation, recourse was finally had to a novel procedure incorporated into a new ballot law enacted by the legislature of 1901. By the terms of this law,[1] in the submission of constitutional amendments "where a 'for' and 'against' vote is required and where any political party has in state convention taken action as a party either for or against such amendment", the name of such party "shall be printed directly over the words 'for' or 'against' as the case may be so as to plainly indicate to the voter the stand taken by such party on such amendment". The official instructions to the voter read as follows: "If you wish to vote a straight ticket, make a mark in the circle at the top of the ballot to the right of the name of your party and your ballot will then be counted for every candidate, and as approval of party action on any constitutional amendment, of that party on your ballot". This ballot form, so far as it relates to the mechanism of voting on constitutional amendments, was reënacted in the Ballot Law of 1903, and, as will be shown later, was much further developed with noteworthy consequences in the Direct Primary Law of 1907.

[1] Laws of Nebraska, 1901, Chapter 29.

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Here was a complete reversal of the previously accepted rule and long-established practice. Where formerly only such ballots as were distinguishably so marked were counted for the adoption of a constitutional amendment and all others operated as negative votes, now all straight party-circle ballots, if the party convention had given its endorsement by resolution, were to be counted "for" unless the voter expressly indicated otherwise. The party-circle ballot would thus become an affirmative (or negative) vote by implication and the negligent easiest-way voter would be transferred from the "against" column to the "for" column though he might have had no intention of supporting the amendment. By virtue of this device, a constitutional amendment ordinarily should be safely "put across". But would the new plan be sanctioned by the courts? That question must have its answer before any amendment so adopted could be regarded as secure. By peculiar chance the Nebraska party-circle law was copied the next year by the legislature of Ohio and applied at once in that state with the acquiescence of the supreme court of Ohio. By oversight, probably, it was not employed in connection with the amendment submitted in Nebraska in 1904, no action being taken by the party conventions of that year. It was utilized, however, to facilitate the adoption in 1906 of an amendment creating an elective State Railway Commission, and the judicial decision upholding its validity was rendered early in 1907. After discussing the collateral issues raised by the pleadings, the judge who wrote the opinion declared:[1]

The third question submitted by the attorney-general is stated as follows: "Is there authority of law for counting for the constitutional amendment the straight party votes of the Republican, Democratic and People's Independent Party?" In 1895 a statute was enacted providing for the submission of constitutional amendments when two or more were proposed. The two principal things accomplished by this act were to require the State to furnish the official and sample ballots for submitting such amendments and to enable the voter to vote for or against all the proposed amendments, or questions printed on the

[1] State *v.* Winnett, 78 Neb. 391.

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ballot, by simply making a cross-mark opposite the word "yes" or "no" according to the answer he wishes to give. . . . In 1901, however, an act was passed by the legislature amending twelve sections of the general election law [being the party-circle law]. . . . The requirement of the constitution is: "When more than one amendment is submitted at the same election, they shall be so submitted as to enable the electors to vote on each amendment separately". The objection that the provisions of our statute above quoted are not such "as to enable the electors to vote on each amendment separately" when several amendments are submitted, appears to be without foundation. The voter may vote a straight party ticket if he desires but he is not compelled to do so. He may vote a straight party ticket in general and make such exceptions as he desires either as to the individual candidates or as to any proposed constitutional amendment. The directions for so doing in the statute appear to be practicable and without uncertainty. It is not the duty of the court to suggest methods of submitting constitutional amendments to the vote of the people. The duty of devising and applying such methods is devolved upon the legislature and, unless the method adopted by the legislature is manifestly a violation of the constitution, and unless it clearly appears that the method adopted by the legislature will not make it practicable for the voters to express their judgment as to each amendment proposed, the courts are not at liberty to disregard the will of the legislature. . . . The provisions contained in the act are complete in themselves and cover the whole general subject and ought to be regarded as the final expression of the legislative will.

The path was now open for the next step. The legislature, in session at the very time this decision was rendered, abolished nominating conventions and set up the state-wide primary charged with the function not only of naming candidates but also of determining party action on all proposals to alter the constitution. How this feature of the law was to operate may be gathered from the section[1] relating to that subject:

At the general primary election next preceding any general election at which any constitutional amendment shall by law be required to be submitted to the electors of the state, it shall be the duty of the Secretary of State, at the same that he shall certify the names of candidates

[1] Laws of Nebraska, 1907, Chapter 52, Section 35.

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for state officers to the County Clerks, likewise to certify to such County Clerks any amendment or amendments to be submitted at the general election, and it shall be the duty of the County Clerks to cause to be printed in the primary election ballots of all political parties the question of such constitutional amendments in the same manner and form as required to be printed on the official general election ballots, and each elector may declare himself in favor of or against any such amendments the same as at such general election. The Election Boards in the various precincts shall make returns of the number of votes in favor of and against any such amendment to the County Clerk at the same time and in the same manner as upon candidates for nomination, and such returns shall be canvassed by the County Canvassing Boards with other returns, and the County Clerk shall make return to the Secretary of State of the votes upon such amendments with the other returns of this act. Such returns shall be canvassed by the State Canvassing Board and, if a majority of the electors of any party voting upon such amendment shall declare in favor of or against any such amendment, such declaration shall be considered as a portion of the ticket of such party and shall be so certified by him to the various County Clerks.

No longer was it to be optional with political parties to take a position for or against a proposed amendment or to refrain from either expression; the question was to be put by law to the members of all parties participating in their party primaries and no matter how small the vote (comparatively few vote when nominations are uncontested), the decision of the majority in the primary would suffice to deliver all electors who should vote a straight ticket for that party in the final poll. Obviously the chances would now favor adoption of any amendment which might be submitted, unless one or more of the major political parties should reject it in the primary. And so it worked out —but only for a little while. (See accompaying table.) Two amendments were adopted in 1908 following the first state-wide primary, one of them increasing the number and pay of supreme court judges, and the other enlarging the field of investment for the state school funds. In 1910, an amendment to limit voting to fully naturalized citizens was lost, the Democratic primary having placed that party on record against it. In 1912, five amendments carried with endorsements of all the parties,

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NEBRASKA PRIMARY] ELECTION VOTE ON CONSTITUTIONAL AMENDMENTS

Year	Proposition	Republican			Democrat			People's Independent			Progressive			Prohibition			Socialist		
		Total	Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No
1906..	Board of Railroad Commissioners	.....	.....	.....	.....	.....	.....	....	....	....	...	....	....	....	....	....	....	...	....
1908..	Increase of Judges' Salaries	50282	26153	7824	32577	12716	5947	3671	1375	909	....	....	....	711	371	102	412	171	103
	School Fund Investment..	.....	31127	5770	.....	15513	4335	....	1832	562	....	....	....	....	446	56	....	218	80
1910..	Pull Citizenship Voting..	40111	11779	6936	54878	10062	11524	3148	1064	489	....	....	....	463	263	48	841	412	92
1912..	Initiative and Referendum	78957	47880	7754	51269	32400	4411	1097	824	71	....	....	....	583	439	31	1707	1324	64
	Legislative Salaries	.....	37724	12832	.....	24386	8570	....	546	247	....	....	....	....	315	310	....	974	253
	Board of Control	.....	38168	10791	.....	23968	7683	....	523	182	....	....	....	....	321	69	....	918	253
	Biennial Elections	.....	39038	11837	.....	26118	7273	....	601	178	....	....	....	....	291	116	....	923	291
	Home Rule Charters	.....	33700	15007	.....	23397	8895	....	426	247	....	....	....	....	160	235	....	982	190
1914..	Progressive Taxation	74493	27741	12662	67299	24158	12295	1396	596	256	2364	1402	320	379	200	61	1027	562	131
	Five-Sixths Jury.....	.....	27256	12986	.....	24041	12152	...	576	250	....	1350	398	....	213	57	....	398	227
	Executive Salaries	.....	23020	14545	.....	20219	13949	....	415	372	....	1049	565	....	163	82	....	364	239
1918..	Constitutional Convention	70312	27353	18635	64467	23033	18982	....	....	....	....	. .	....	206	127	22	....	....	....

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among them, the initiative and referendum, whereby a third method of changing the constitution was provided, namely, upon petition of fifteen per per cent of the electors and ratification by majority of those voting on proposition, such majority being not less than thirty-five per cent of the total vote. In 1914, three more amendments were submitted by the legislature and in the primary were endorsed by six political parties but even with the benefit of the party-circle vote and with no organized opposition, all three failed to poll a majority of all the votes cast in the ensuing election. To this outcome may be ascribed the absence in the election of 1916 of constitutional amendments submitted by the legislature and the presence of two proposed by initiative petition. One of these two amendments was lost; the other, prohibiting alcoholic beverages, was adopted.

The principal controversial subjects—direct legislation, prohibition and woman suffrage[1]—having now been disposed of, and opposing interests being no longer actively obstructive, the demand for a comprehensive revision of the constitution through a constitutional convention became more insistent. Responding to this demand, the legislature of 1917 agreed to have the question put to the voters in the manner prescribed for ordinary amendments. In the primary all parties were placed on record as favorable to the summoning of a constitutional convention, albeit in the case of each of the two major parties the number of voters approving the convention fell short of a majority of the total number of votes registered by the party. In the subsequent election the convention call was approved by a vote of 123,292 to 51,600 out of a total vote of 225,717. One is tempted to speculate on what might have been the fate of the proposition had party-circle ballots not been counted as affirmative. Fully cognizant of this condition, the convention, after formulating forty-one amendments, decided to take no avoidable risk and ordered a special election for their popular ratification forty days in advance of the regular election. But two

[1] A temporary settlement of the woman-suffrage question was effected by the grant of a limited statutory franchise in anticipation of the federal amendment.

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or three of the amendments evoked controversy and all of them were adopted by votes ranging from 69,626 "for" and 13,624 "against" to 41,083 "for" and 38,738 "against"; that is to say, the majorities ranged from 56,002 to 2,345 in a total vote of 93,250. In the regular election six weeks later, the total vote cast was 382,743.

POPULAR VOTE ON AMENDMENTS (TO THE STATE CONSTITUTION OF NEBRASKA) SUBMITTED AT REGULAR ELECTIONS

Year	Subject	Total Vote	Vote For	Vote Against	Recount For	Recount Against
1882	Woman Suffrage	89068	25756	50693	.....	.....
1884	Legislative Salaries	135555	51959	17766	.....	.....
	Board of Railway Commsrs	.....	22297	44448	.....	.....
1886	Legislative Salaries	138238	65712	22236	72497	22135
1890	Prohibition	214861	82292	111728	.....	.....
	Liquor License	.....	75462	91084	.....	.....
	Enlarged Supreme Court	.....	86418	53022	.....	.....
	Increase Judges' Salaries	.....	69192	61519	.....	.....
1892	Board of Railway Commsrs	197474	80032	14185	80569	.....
	School Fund Investment	.....	84426	11258	89050	.....
1896	Enlarged Supreme Court	217763	84579	37896	97644	37029
	Judicial Salaries	.....	61119	48532	.....	.....
	Executive Salaries	.....	59492	47611	.....	.....
	Judicial Power	.....	60094	45377	.....	.....
	Lower Courts	.....	59343	46576	.....	.....
	Five-Sixths Jury	.....	73573	39006	.....	.....
	Board of Railway Commsrs	.....	67045	40597	.....	.....
	Number State Officers	.....	60246	44063	.....	.....
	School Fund Investment	.....	78447	36679	.....	.....
	Merging City and County	.....	56960	47634	.....	.....
	Voting Machine	.....	62303	44370	.....	.....
	Improvement Boards	.....	60479	45669	.....	.....
1904	Amending Clause	232457	32820	23497	.....	.....
1906	Board of Railway Commsrs	194692	147472	8896	.....	.....
1908	Increase Judges' Pay	271396	214218	16271	.....	.....
	School Fund Investment	.....	213000	14395	.....	.....
1910	Full Citizenship Voters	243390	100450	74878	.....	.....
1912	Initiative and Referendum	259124	189200	15515	.....	.....
	Legislative Salaries	.....	173225	26335	.....	.....
	Board of Control	.....	174939	25439	.....	.....
	Biennial Elections	.....	174151	25048	.....	.....
	Home Rule Charters	.....	164569	32041	.....	.....
1914	Progressive Taxation	246941	88068	82136	.....	.....
	Five-Sixths Jury	.....	102891	63596	.....	.....
	Executive Salaries	.....	89385	76013	.....	.....
	* Woman Suffrage	191582	90738	100842	.....	.....
1916	* Prohibition	264106	146574	117532	.....	.....
	* Pure Food Department	197208	91215	105993	.....	.....
1918	Constitutional Convention	225717	123292	51600	.....	.....

* Initiated by Petition.

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It was plain that the elasticity of the existing constitution depended upon an unworkable mechanism of amendment for which the supplementary method of initiation by petition was an inadequate corrective. It was also plain that ominous dangers lurked in continuance of the party-circle device. The convention therefore, rewrote the amending clause. Under the provisions of the new clause, constitutional amendments proposed by the legislature require for ratification only the same majority as amendments initiated by petition. They are to be printed on ballots distinct from the ballots containing the names of candidates for office. When two or more are submitted at the same time they must be so presented that each elector is able to vote for or against any one of them separately. Each amendment must receive the votes of a majority of those voting on the amendment, "provided, this majority be not less than thirty-five per cent of the total votes cast at such election".

This would seem to end the chapter, and doubtless it will do so, although, apparently by inadvertence, one of the old objectionable loopholes remains. The convention neglected to change the wording of the clause which provides for the revision of the constitution by special convention; in other words, nothing in the revised constitution prevents resort again to the circle ballot as a means of assuring the answer "yes" to the question "Shall a Constitutional Convention be called?" As a matter of fact, under the existing law the same procedure would be valid for another convention as for the last, and it is quite believable that in no other way could the necessary majority of the total vote in a general election be obtained for any constitutional revision, under ordinary circumstances. Yet if Nebraska's experience teaches anything it is that the danger inherent in such a questionable method of constitution-changing outweighs all possible advantages.

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UNEMPLOYMENT RELIEF MEASURES IN GREAT BRITAIN

THE beginning of this year (1921) has been marked in Great Britain by the recurrence of unemployment. War-time production, carried on under conditions in which all economic checks and balances were removed, demoralized British manufacturers. They became careless of prime and labor costs and of operating expenses. The Excess Profits Duty completed the demoralization, causing them to invest unwisely instead of building up reserves. Inflated credit made their careless expenditure easier, and currency inflation prompted reckless purchasing on the part of consumers. Post-war capitalization of old established plants along with large issues of new capital made a greater total increase of profits necessary if the pre-war dividend was to be earned.

The financial risks involved in this situation became apparent at the close of the summer of 1920, when the banks began to restrict credit. This compelled manufacturers to liquidate stocks, always at a reduction, since they had been manufactured at higher prices. The world-wide fall in commodity prices increased both their loss and the difficulties of the credit situation. At the same time, the consumer manifested a psychological reaction against high prices. It is his refusal to buy that is the root condition of the slump in Great Britain. These interlocking factors, a shrinking in consumers' demands, restriction of bank credits, and the fall in commodity prices, led to a fairly general curtailment of production and to varying degrees of unemployment in most trades.

A considerable proportion of this is due to short time, that is, work less than a normal working week. In the textile and shoe trades, little more than two days per week have been worked since October of last year. In most cases, this form of under-employment is preferred by the trade unions, since it lessens the burden and distress of unemployment to a certain extent by enabling every worker to earn some pay. The chief

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objection to it is the considerable reduction it effects in the standard of comfort. Nevertheless, it has been adopted by the government arsenals and dockyards as well as by a number of private establishments. Sir Allen Smith, chairman of the Engineering Employers' Federation, has recommended that in the modified form of short shifts it should be introduced in the metal trades, in order that more men may be employed, and his suggestion has been supported by the powerful Amalgamated Engineering Union. Other trade unions endorse it, although some of the more modern leaders consider that inefficient and older men taken on during the war should be dismissed before short time begins, whilst the more extreme, including some of the arsenal and dockyard workers, demand full wages during unemployment.

Governmental proposals for relief of the situation are of three kinds. In the first place, schemes for new arterial roads are being undertaken. Fifty-one provincial authorities as well as the London borough councils have taken up this method and are proceeding with the repair and improvement of existing roads as well as the construction of new ones. To the end of the year less than five thousand men were employed on these projects, which, it is feared, will not do a great deal to alleviate distress. Moreover, this kind of relief has a serious disadvantage. Many of the men unemployed are from trades requiring special skill that would be destroyed by heavy labor. Thus, weavers and spinners cannot be set to navvying without losing their fineness and dexterity of touch.

The second measure is the allocation of £3,000,000 to be used in assisting local authorities to find relief work other than roadmaking and housing. Schemes for laying out parks, widening rivers and canals, construction of municipal depots, and drainage schemes not connected with roadmaking or housing, are among those on which this grant may be employed. The selection of the schemes to be assisted and the amount of the assistance to be given are to be decided by a committee with Lord St. Davids as chairman, and Lord Byng of Vimy as one of its members. This committee will advance up to thirty per cent of the cost of the labor on approved schemes, on con-

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dition that ex-service men be given preference over other applicants for employment.

The third measure is one of considerable social importance. It is an endeavor to place fifty thousand ex-service men in the one trade where there is, or should be, no unemployment, namely, the building trade. Deaths in the war and defections from the trade reduced the craftsmen available after the war by about one hundred thousand. Furthermore, as is well known, Great Britain had an enormous housing shortage at the end of the war, and set up an elaborate housing scheme to meet the deficiency. Little progress, however, has been made with it, and the country is still in urgent need of houses. A fair share of blame for the delay must lie on the shoulders of the building operatives. Always subject in the past to frequent unemployment and to short time, the workers in this peculiarly fitful trade had been accustomed to relatively small and uncertain earnings, but since the war created an extraordinary demand for their labor they have been able to exploit the existing situation for their own profit. Their hours have been reduced from an average of fifty-two and one-half hours a week, taking winter and summer together, to forty-four hours a week both winter and summer. Their wages have been trebled, whilst their output has declined. In consequence, new houses are few and comparatively costly. The nation is impatient at the delay and public opinion is demanding an increase in the number of operatives. Wartime experience has led men to doubt the need of a long training before a good output can be expected. The government accordingly has proposed "dilution", as in the case of munition factories during the war.

The government's proposals have been placed in concrete form before the operatives. In these proposals stress is laid on the housing scarcity, the deflection of labor force from the building trade during the war, and the obligation of the country to ex-service men. The government expresses its opinion that the industry should absorb at least fifty thousand such men as adult apprentices in the proportion of one new man to five skilled craftsmen. In return for an undertaking to admit and train these men, the government proposes to make a training

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grant of £5 per head, £2 on admission and £3 on completion of training. In addition, the government accepts the principle advocated by the Foster report to the Building Trades Parliament, that time lost owing to wet and inclement weather should be compensated at a guaranteed rate of pay. This rate is fixed by the government at fifty per cent of the wage lost for the first twenty-two hours and seventy-five per cent for that lost in excess of twenty-two hours. On this count, if the whole week were lost, a man would receive five-eighths of his usual pay. To meet the anxiety of the members of a trade like this that has suffered more than any other from frequent and grave periods of unemployment, the government assures them that no risk of unemployment is involved in its proposals. If, however, the trade unions do not share this view, it is permissible for them to take steps to organize benefits larger than those under the Unemployment Insurance Act. The training grants would make a substantial foundation for such a fund. The scheme has been stoutly resisted, though training schools have already been instituted in important centers. Whilst they are not receiving a cordial welcome from trade unions, they are not being resisted, and public opinion may be expected to force some form of dilution upon the building trade.

The chief of the government's measures designed to alleviate the unemployment crisis, however, is the Unemployment Insurance Act, 1920, which extends the provision of unemployment insurance beyond the trades designated in the National Insurance Act of 1911, to nearly all the trades, and increases both the contributions and the benefits. The trades formerly embraced under the act were mainly skilled trades and were specially designated. In the recent act, all forms of employment come within the law, saving certain exceptions which are expressly named. The chief exceptions are agriculture, domestic service, employment as a teacher or an officer of a local authority or public utility, and commission agencies. Persons are exempt who receive for non-manual labor a salary of not less than £250 a year, or who receive a pension of £26 or upwards a year.

The contributions under the National Insurance Act amounted

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to fivepence, contributed equally by employer and worker. Under the new act, contributions are greater in amount. A male employee pays fourpence, a female threepence per week, the employer contributing fourpence for each man and threepence halfpenny for each woman. For youths under eighteen years, the rates of contribution are one-half of the above for employees, but the employer must add twopence for each boy and girl. The state's contribution is twopence for a man, one and two-thirds pence for a woman, one and one-third pence for a boy and one penny for a girl. The method of payment of contributions remains the same as under the National Insurance Act.

In return for these contributions, unemployment benefit will be paid at the rate of fifteen shillings a week for men, twelve shillings a week for women, and half of these amounts for boys and girls respectively. No benefit will be paid for the first three days of unemployment, and benefit cannot be obtained for more than fifteen weeks in any insurance year nor for more than one week for every six contributions standing to the credit of the insured person. During the first twelve months of the operation of the scheme, persons may draw benefit up to eight weeks as soon as four contributions have been paid. Insured contributors who have paid a certain minimum number of contributions and satisfied certain conditions are entitled, on attaining the age of sixty, to have repaid to them their own contributions at two and one-half per cent compound interest, less any benefits they have received.

An interesting feature carried over from the National Insurance Act by the Unemployment Act is the provision enabling trade unions or other societies described as "associations of employed persons" to pay out the state benefit. These societies must have rules providing unemployment pay at a rate at least one-third that payable under the act. Further, they must have a system of ascertaining wages and conditions in every industry covered by the act, so as to bring their members as speedily as possible into touch with employers' vacancies. Such societies may pay out the state benefit, receiving in return a grant from the state of one shilling a week for each unem-

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ployed member as repayment of expenses incurred. In order to meet the conditions of this clause, many unions have set up schemes of unemployment benefit. The National Union of General Workers, whose membership comprises about two million unskilled workers, gives six shillings a week benefit in return for twopence a week contributed. The skilled trades give larger benefits, that of the National Union of Railwaymen being fifteen shillings a week.

The clause above referred to was inserted because the unions insisted on their right to administer benefits and because they protested against granting this privilege to the great industrial insurance societies. Eventually, by the wording of the clause, these societies were excluded from such arrangements. The exercise of the right will be of benefit to the unions in controlling the labor market and in preventing deterioration of the morale of their members.

The act also provides that any industry may draw up a special scheme for itself which, when approved by the Minister of Labor, will have statutory force. It is expected that a Whitley Council or some association representing a substantial majority of the employers and workers in the industry will ordinarily make such a proposal. Such special schemes must fulfil certain conditions: (1) They must cover all persons employed in the industry in the geographical area concerned. (2) The benefits they propose must not be less favorable than those provided under the general scheme. (3) The state's contribution to a special scheme shall not exceed three-tenths of its contribution under the general scheme. (4) Such schemes will be administered by a joint body of employers and workers in the industry, not by the Ministry of Labor, as in the case of the government scheme.

The provision for benefits under this act is obviously inadequate. Benefits are not sufficient to pay the rent of one of the new houses built under the housing scheme, nor to furnish adequate food for one individual. The demands of the British Labor Party show how far the unemployment provision falls short of meeting the reasonable requirements of human beings. Their claim is for employment at full wages or, alternatively,

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for maintenance at not less than forty shillings per week for each householder, nor than twenty-five shillings per week for each single man or woman, with allowances for dependents. Their recent formulation of an unemployment policy recalls their less explicit but more reasoned resolution adopted on December 15, 1920, which was very similar in terms. There was added to it, however, the following comment: "It may be pointed out that £2 a week maintenance could be provided for 250,000 unemployed persons for ten weeks for the modest sum of £5,000,000, and that this outlay would be immediately transformed into a demand for commodities which would stimulate trade in a healthy and natural way." The stress laid on the economic justification for a minimum unemployment pay of £2 a week to householders indicates the judgment of the workers concerning the government grant, which is described as "an insult to starving men". Its effect in reducing consuming power must be very serious upon industry generally.

With this verdict public opinion very largely agrees. There is also a considerable body of progressive employers who take the same attitude. On December 7, 1920, the Minister of Labor received a deputation from the National Alliance of Employers and Employed. Speaking on behalf of the employers present, Mr. P. H. Lockhart, vice-president of the Federation of British Industries, advocated some guarantee to the workers that hard work on their part would not entail unemployment, and contended that they should be maintained in times of unemployment. He was of opinion that the benefits under the Unemployment Insurance Act should be increased.

This attitude gives pertinency to a proposal from a group of employers for an alteration of the provisions of the Unemployment Insurance Act, 1920, that would yield to each unemployed person a proportion of his or her weekly wage, adjusted to the number of dependents, and that would, further, fix the contribution of the worker and the State, leaving each industry as a whole to bear the residuary cost of its own unemployment. The scheme has been issued anonymously "in order that it may be discussed on its merits without the advantage or disadvantage of names". The writer, who is acquainted with the em-

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ployers concerned, can guarantee that they represent big, progressive business enterprises and bear names of repute in the business world. In their discussions, they have been assisted by financiers, economists and statisticians and have consulted freely with all schools of labor.

The opening paragraph of their scheme is one which bears quotation, as showing the economic motive behind the proposition:

> The suffering caused by unemployment has been generally recognized, but too little attention has been paid to its reactions on production. Industry moves in a vicious circle. Additional production is necessary if poverty is to be abolished and employment relieved. Yet uninformed labor instinctively resists every kind of productive improvement lest it should cause unemployment. Improvement in machinery, in the reorganization of labor with a view to using more effectively skilled grades by means of dilution and in other ways, the introduction of system of payment by results which have been proved to stimulate production, are all resisted more or less openly, and in every case fear of unemployment is largely responsible for the resistance. It is true that the fear may be largely unjustified and that "ca' canny" may accentuate the very evil it is intended to prevent. But such facts are irrelevant. The rank and file of labor believe that improvements bring unemployment, and no one has ever succeeded in convincing them that they are wrong. Nor is it any use to argue and make agreements with the leaders of labor; it is the instinctive action of the rank and file that counts. An immense potential increase in the productivity of industry awaits release, and only the complete removal of the menace of unemployment can release it.

They proceed to characterize the present Unemployment Act as "a palliative, rather than a remedy". Its benefits are insufficient for the human needs of labor, and hence cannot "banish the fear of unemployment or the industrial policy to which this fear gives rise among the workers". The State is called upon to admit the claim of all adult wage earners, able and willing to work, to either employment or "adequate maintenance", that is, unemployment benefits varying with the needs of the worker and his family. Their proposals would apply to all manual workers and to salaried workers receiving

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not more than £400 a year, between the ages of sixteen and sixty, the other exemptions of the Unemployment Act being accepted.

The rate of benefit proposed is fifty per cent of the average earnings of a single person, with ten per cent additional for a dependent wife, and five per cent for each of not more than three dependent children under sixteen years, with a maximum payment of £5. As under the State scheme, benefits would be payable after three days' unemployment, and would be limited to one week for every six weekly contributions previously made, but could extend for a period of twenty-six weeks in any single year. The limitation just mentioned of one week's benefit for six contributions is intended as a safeguard against such unsatisfactory workers as might practically be uninsurable.

The employee's contribution to the fund is placed at one penny in every ten shillings of wages, that is, less than one per cent of weekly pay. The State is asked under this scheme to contribute £4,000,000 plus the cost of administration. The balance needed to enable the fund to pay the statutory benefits would be a levy upon employers and is calculated to equal two per cent of their wage bill. To enable the scheme to be put into immediate operation even during a period of abnormal trade depression, it is proposed that employers' contributions should be fixed for five or seven years, and then reassessed on the experience of that term. During the initial period the State should act as an insurance company, taking the profit or carrying the loss.

In most other respects, especially in regard to short time and methods of administration, the proposal is supplementary to the Unemployment Insurance Act. It is of interest that the employers concerned state their opinion that the administration of employment exchanges can be made adequate for the prevention of malingering.

The characterization of their scheme by the promoters is indicative of their social outlook. "Essentially", they write, "the proposal is one to compel industry to create a *wages equalization fund*, and to give employers an incentive to elim-

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inate every removable cause of unemployment. It is suggested that not only would such a policy be worth almost any cost in the suffering it would alleviate, but that it would prove in practice to be just as sound a policy as is a dividends equalization fund."

The possibilities of this proposal have been exemplified in the case of the firm of Rowntree and Company, cocoa and chocolate manufacturers, York, England, who have set up from January 1, 1921, a scheme based very largely on the above project, but drafted in the light of the firm's position, industrial and financial. They propose to set up an unemployment fund by putting aside an initial reserve of £10,000, and adding to it yearly from 1921 onward sums equal to one per cent of their wages bill, until the fund reaches £50,000 or five per cent of the wages bill, whichever is the greater. Thereafter they will set aside such sums, not exceeding one per cent of the wages bill, as will be necessary to keep the fund at this figure.

Benefits will apply to all employees of the company discharged through shortage of work caused by depression in trade, provided they are between twenty years and pension age (sixty-five years), and have been employed continuously for at least six months before dismissal. The period of benefit has been fixed with a view to recognizing long service, and equals one week for each two months up to two and a half years of service, with one week for each complete year beyond that standard.

The rate of benefit is to be the same as that in the scheme copied, with the addition to the percentages and the maximum named therein of a minimum payment of twenty-five shillings per week. This was added because of female workers, fifty per cent of whose average earnings would not in every case reach the figure of twenty-five shillings, which is regarded as a necessary minimum. In these percentage totals are counted the benefits paid by the State and trade unions. The State benefits are fifteen shillings a week for men and twelve shillings for women. Trade-union benefits range from one shilling a day upwards. The National Union of General Workers, which covers in its membership ninety-five per cent of the men and

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over fifty per cent of the female employees of the company eligible for membership, pays six shillings a week. This sum is added to the state benefit, and the company undertakes to pay the balance between that total and the percentage of earnings to which an employee is entitled. Thus, if a single man, without dependents, becomes unemployed, having earned during the previous quarter an average wage of seventy-four shillings, he receives, unless otherwise disqualified, fifteen shillings from the state, six shillings from his union, and sixteen shillings from the firm, making his total benefit fifty per cent of his average earnings. If a piece-worker with an average wage of ninety-six shillings a week becomes unemployed through depression of trade, and is a married man with three dependent children, he normally receives state and union benefits as above, plus fifty-one shillings from Rowntree and Company, totaling seventy-two shillings or seventy-five per cent of his average wage. The same provisions are to be applied to short time, but do not operate till piece-workers have lost fifteen per cent of time and time-workers ten per cent.

This scheme is obviously supplementary to the government insurance scheme. A person is disqualified under it as under the government scheme unless he effects and keeps effective a suitable registration at the local employment exchange, and, in general, if his claim for unemployment allowance is not accepted by the local unemployment officers. It is more generous in that it waives the three days' waiting period required by the state, and in the fact that long-service employees receive benefits longer than fifteen weeks. Where, also, a person eligible for benefit for a stipulated number of weeks obtains temporary employment for a period, the benefit will be continued immediately on the cessation of the temporary work, the duration of which will, however, be taken into account.

Another point in the scheme is of considerable social importance, namely, the obligation imposed upon most of the beneficiaries to contribute to trade-union funds. The National Union of General Workers requires a payment of twopence a week from each member in return for the benefit it proposes of six shillings a week. Messrs. Rowntree and Company, upon

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representations from the officials of this union, made a contribution of not less than twopence a week to a trade union or other society for the purpose of assuring unemployment payment a necessary qualification for securing benefit under their scheme. The reasons given for this decision were, "first and chiefly, a desire to protect the position of the unions, and secondly, a feeling that help should be confined to those who are prepared to help themselves".

Attention should also be called to the fact that nothing in the scheme compels an unemployed man to accept work where a trade dispute has broken out, or at a rate of wages lower than than those generally obtaining in the locality. Where unemployment is directly due to a trade dispute, whether at the company's works or outside, benefit ceases until the dispute is settled.

The firm reserves the right to discontinue this scheme should the state or industry set up an adequate alternative, and may, on giving three month's notice, reduce or discontinue its contributions to, or discontinue, the fund. It has the right to make and amend regulations, and to vary the conditions and amount of benefit, with the consent of the Central Works' Council of its employees, who were consulted in the formulation of the present scheme, five of their worker delegates coöperating. The fund is to be administered by a committee of nine appointed by this same Council.

This project, like that which is suggested for national adoption, aims to take the burden of unemployment off the workers' shoulders and place it on the industry. Behind it is the view that capital, having taken the profits, cannot absolve itself from the risks of industry. The economic justification of profit-taking is that capital bears the risks of industry all the time; from these risks the worker is alleged to have contracted out through the acceptance of a wage. In fact and practice, the capitalistic system refuses one of the risks, that of a period of bad trade, preferring under these circumstances to abrogate the workers' wage contract. Such action is socially unjustifiable and can, by the operation of a more equitable form of industrial relations, be proved economically unwise. If the regularization of indus-

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try leads, as may be anticipated, to greater production and wider human happiness, insurance against unemployment will come to be considered as rational and desirable as life and fire insurance.*

* The long-continued unemployment crisis in Great Britain has led to alterations and emendations of the measures above described. The building proposals of the government have been radically amended, so that opposition to the dilution of building labor has triumphed for the moment.

Substantial changes have been made in the benefits and contributions payable under the Unemployment Insurance Act of 1920. When unemployment became general in March, 1921, the government increased the benefits payable under the Act from fifteen shillings to twenty shillings per week for men and from twelve shillings to sixteen shillings for women. This increase was to be met out of the accumulated reserves of contributions paid since the inauguration of unemployment insurance. In a few months these reserves were seriously depleted, and the Government, under actuarial advice, reduced the benefits to those prevailing before March, 1921, doubled the contributions payable by employers, and fixed those payable by employees at only one penny less than double the previous rate of contribution. At the same time the "waiting" period was increased from three days to six, but provision was made for the period of benefit to be extended in case of necessity by another six weeks.

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THE BANK OF ENGLAND AND THE MONEY MARKET

Introduction

ONE of the most characteristic and important parts of the English monetary system is the method by which the Bank of England protects its reserve and influences foreign exchange movements and gold exports by changes in its rate of discount. This piece of banking practice was evolved with difficulty mainly by the force of experience during the first half of the nineteenth century. The method of making the device effective has varied with the development of the London money market and with changes in the Bank of England's influence over it. Briefly, the effectiveness of the Bank's rate of discount depends on the extent to which at any moment the Bank can control the existing supplies of short-term credit. With the development of the joint-stock banks its power to do this grew steadily less except at certain periods in the year. War finance aggravated development along these lines, and it does not appear that the Bank has at the present time regained even the position it held in 1914. In view of the importance of a proper regulation of the discount rate for the smooth working of the financial system, it becomes of interest to consider what this change in the influence of the Bank amounts to, how far it may be considered abnormal, and how far it represents a real shift in the balance of power in the money market which will have to be reckoned with in future policy.

1873–1914

In the first place, we may briefly consider the working of this control during the nineteenth century and up to 1914.

When Bagehot published his book on Lombard Street in 1873, the directors of the Bank of England after repeated trial and error had finally adopted the policy of raising their rate of discount when threatened by a drain of gold from their reserves. This practice became established from 1857. The situation in

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1873 may be described as follows. The Bank of England, being the largest seller of credit in the London money market, was in a position to control the general rate of discount charged in that market. This it did in accordance with certain rules found by experience to be necessary to its safety as a bank; that is to say, it raised the rate when gold was being withdrawn from its reserve and it lowered the rate when this demand for gold ceased. But the regulation of rates had a more far-reaching effect than to protect the solvency of the Bank. A pressure on the Bank of England's reserve, as Goschen showed, was really the result of a shortage in the supply of floating capital compared with the demand, and a rise in the interest rate was the natural result of this situation. "Sometimes the Bank may raise its rate from internal causes or from apprehension, but the general inference from such an advance is that which we have sketched".[1] As the Bank was the holder of the main gold reserve of the country, the first warnings of maladjustment would be felt there, and consequently its duty was to take the first steps to restore equilibrium.[2] An alteration in its rate would produce such a restoration without the waste and friction which would otherwise be involved. This was the solution of a problem with which bankers had been blindly struggling through the recurring crises of the early nineteenth century.

There are two main threads to be followed to the outbreak of the war. The first is the increasing importance of this adjustment with respect to the change in business methods and the increasing complexity of commerce. The second is the effectiveness of the Bank of England as an instrument of control.

(*a*) With regard to the first, the immediate object of those concerned has been and remains the maintenance of a reserve of gold sufficient to meet all demands for cash which are considered likely to arise whether at home or abroad.[3] In the meantime there has been a great increase in international trade

[1] Goschen, *Foreign Exchanges* (1863, ed. 1913), p. 134.

[2] Bagehot, *Lombard Street* (ed. 1915), pp. 43–153.

[3] *Cf.* Palgrave, *Bank Rate and the Money Market*, p. 218.

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and in the use of bank credit in various forms as a means of payment. A large part of these credit transactions have tended for various reasons to center in London; most of the loans and discounts made in connection with international trade are made through London institutions, and consequently any demand for cash which may arise in the course of these transactions falls on the gold reserves of the Bank of England. It is therefore liable to a demand for gold from over a wider area than before. But the development of money institutions has altered the aspect of the problem. The increased use of short-term credit has very much lessened the movement of cash except in times of financial crisis, and the probability of a run on the bank reserve within the country is almost nil; the fact that London institutions have lent far more abroad than they have borrowed—that, as they say, England is a creditor nation—makes drains of gold abroad much less serious, because London can draw on all the rest of the world. In August, 1914, the difficulty was not to get gold from England but to arrange means by which payments could be made to her. (The above does not of course apply under existing conditions when England is heavily in debt to the United States and most other countries have an embargo on the export of gold, but this situation may perhaps be regarded as temporary.) So long as this position is retained, the protection of the gold reserve is of secondary importance. But the rate charged by the Bank of England, in so far as it is effective in the market, now exercises a controlling influence over the adjustment of the supply of floating capital to a demand which affects a large part of the world. Uncontrolled, adjustment will take place in the long run through fluctuations in prices with consequent waste and friction, the effects of which are worse as they have become more far-reaching, with greater interdependence between nations. The Bank of England has been able to exert control with effect so far as the English banking system is concerned and with some effect so far as international banking is concerned. This is the *real* importance underlying a device the immediate and conscious object of which is the solvency of English banking, and it is this which gives a more than local interest to the problem under considera-

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tion. The frequent fluctuations in the Bank rate have caused complaint and comparison with the steadier bank rates of other countries. It has been suggested that by keeping a larger reserve or by holding a supply of international securities which could be exported when exchanges were unfavorable, such fluctuations might be avoided.[1] But the fluctuations in the discount rate serve an important purpose. The reserve of the Bank of England forms in fact a particularly sensitive index to conditions in the international short-loan market, and through the discount rate rapid and easy adjustment is made possible.

(*b*) The importance of control then being clear, it remains to consider how effective a rise in the Bank rate is in securing control—that is to say, what is the effect of a rise in Bank rate on the rates charged by other institutions in the money market.

The power of the Bank of England to enforce a rise in market rates has grown steadily less since Bagehot wrote in 1873. At that date he could still say that the Bank, as holder of the largest part of the supply of credit, was in a position to dictate rates to other institutions; any slight extra pressure brought borrowers to the Bank for loans.[2] Before 1870 the market rate was sometimes above the Bank rate; since then it has been constantly and increasingly below.[3] As early as 1875 the position was modified.[4] In 1878 the divergence between Bank rate and market rate was recognized when the Bank announced that it would discount for its private customers at the market rate. Between 1884 and 1890 the Bank was several times forced to limit the available supplies of credit in the market by selling consols and collecting into its own hands funds which it did not want. This particular method of control

[1] *Cf.* Palgrave, *op. cit.*, p. 219, and Foxwell, *Essays on Current Finance*, p. 135 *et seq.*

[2] *Lombard Street*, p. 110.

[3] *Cf.* Palgrave, *op. cit.*, p. 32.

[4] *Cf. Economist*, December 5, 1874. "The Bank of England is now *primus inter pares* though it had once distanced every competitor", quoted by E. T. Powell, *Evolution of the Money Market*, p. 503. For the increasing business of the joint-stock banks *cf.* the increase in bankers' balances and other deposits of the Bank of England, given in Palgrave.

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was abandoned by 1909. In 1891 it was said of the Bank that it still maintained a powerful hold over the market, partly because the supply outside was not large enough to meet the demand, partly because the other banks were in the habit of giving interest at a rate of 1½ per cent below Bank rate to their depositors. It was also said that the ordinary run of discounters applied to the Bank only under exceptional circumstances, but that there was not enough margin in the market for extra loans of more than two or three millions.[1] The same authority said in 1892 that there was no reason except the deposit rate link why an advance in Bank rate should affect the price charged by other dealers.[2] He suggested that the Bank might control supplies by paying interest on deposits and raising this rate when necessary[3] (this device was as a matter of fact adopted during the war). Similarly in 1903, Palgrave said that recourse was had to the Bank of England chiefly in times of pressure.[4] In 1906 the Bank, threatened with the withdrawal of its gold, intervened three times in the course of six months by borrowing surplus funds. The position was summed up at the time by a writer in the *Banker's Magazine* as follows: "Sixty years ago the money market was controlled by the Bank of England; sixteen years ago, the total deposits of the three largest joint-stock banks did not total 100 millions and the Bank of England rate was still effective. Today the money market is controlled by the joint-stock banks and the Bank of England is compelled to seek their active coöperation in order to protect its stock of gold." This coöperation has not always been forthcoming.[5]

In 1914 the position may be stated as follows. The Bank of England published weekly an official minimum rate of discount. In ordinary times this rate was not effective, and if the Bank wanted to enforce it special steps had to be taken to secure con-

[1] Clare, *Money Market Primer* (ed. *1896*), pp. 7, 43.

[2] Clare, *A. B. C. of the Foreign Exchanges* (ed. 1920), p. 114.

[3] *Money Market Primer*, p. 38.

[4] Palgrave, *op. cit.*, p. 47, *cf.* p. 219, and p. 67—"if the rate paid by the other banks influences the market more than it used to do, as appears to be the case."

[5] *Cf.* Withers, *Meaning of Money*, p. 236.

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trol of the supplies of credit by borrowing money. Besides this there were certain occasions when the Bank automatically got control:

(1) Times of extra trade activity.

(2) During the first quarter of the year when tax payments were being made.

(3) At the end of every quarter and when bank balance sheets were being published.

(4) In the autumn.

At all these times there was an extra demand for cash or credit. The supply of credit being limited, as it ordinarily was over a short period, by the fact that banks found it necessary to keep a certain proportion between their cash balances and their liabilities and between their loans and their deposits, and the supply not being very large relatively to the normal demand, the Bank of England at these times found itself in a position to dictate to the market. The only other connection between the market rate and the Bank rate lay in the precarious link constituted by the fact that the rate allowed by the banks to their depositors was 1½ per cent below Bank rate. This only depended on custom and was a loose link at best.

While the power of the Bank of England was thus growing less, the other banks, jealous of it as a powerful competitor, grew more anxious to strengthen themselves against it.[1] This came out in the discussions about keeping a larger gold reserve, which is one of the perennial topics in English banking controversy. The demand for a larger reserve became strong in 1890 after the Baring crisis, and it was clear then that the joint-stock banks objected to any scheme for putting larger resources into the hands of the Bank of England.[2] In connection with this there grew up a movement for keeping the extra reserve not at the Bank of England in the ordinary way but either in the vaults of the separate banks or in a special earmarked reserve at the Bank of England which was not to be drawn upon ex-

[1] *Cf.* U. S. Monetary Commission, *Interviews on Banking and Currency Systems*, p. 48. *Banker's Magazine*, July 1906, p. 6; Sept. 1906, p. 329.

[2] Goschen, *Essays and Addresses*, pp. 111, 113.

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cept in special emergencies. Other schemes were suggested for establishing a secondary reserve under the control of the joint-stock banks rather than of the Bank of England.[1] In the meantime there was a steady accumulation of gold by the banks. The amount was estimated at 35 millions of pounds in 1907 and at 50 millions in 1914. Any such decentralization of reserves tends of course to lessen the control of the Bank of England still more, while the force of a demand for gold will still fall on its reserve.

At the same time, there developed a movement for establishing some kind of coöperation with regard to discount rates. An article in the London *Economist* for January 15, 1876, illustrates both this and a realization of the changing position of the Bank. Some understanding between the Bank of England and its principal competitors was said to be necessary in order that the Bank rate might be made effective. "By means of such an understanding the Bank of England . . . might preserve for some time longer the ascendancy which the course of events seems to threaten."

The English banking system in the latter half of the nineteenth century was the most highly centralized in the world, but the development of the joint-stock banks has led to a revolt against control by one institution, while at the same time unity of action is no less necessary. Experience has abundantly shown that banks paying interest on deposits and working for a profit tend to inflate credit, and there is real need for some impartial body powerful enough to fix rates in accordance with the general tendency of economic forces. The Cunliffe report seems to expect a return, for the next ten years at any rate, to the old system of effective control by the Bank of England. It is the main object of this paper to consider what tendencies were developed during the war period, how far these are likely to be permanent, and to what extent recent events point to a return to the old state of affairs or to a further development along the lines sketched above.

[1] *Cf.* Foxwell, *Essays on Current Finance*, "The Banking Reserve," p. 162 *et seq.* For a similar scheme suggested in 1874 see the *Economist* for December in that year. *Cf.* also Schuster, "Our Gold Reserves", *Journal of the Institute of Bankers*, 1907.

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The War Period

The period of the war may be treated briefly. The money market was dominated during the greater part of the time by the government in the interests of government finance. Many devices were adopted which were temporary and have since been abandoned. But some of the things that happened were of permanent importance. The situation in the money market is not now what it was in 1914, and though most of the special war measures have been revoked they have had an effect on future development. It is necessary therefore briefly to review the most important events of these years.

The financial history of the war may be divided into three periods. First, the period of transition from peace to war conditions, which lasted roughly from August, 1914, to April, 1915. Second, a period up to 1917, when the peculiar situation produced by the war in the money market had fully developed. Third, from 1917 to November, 1918, when the difficulty of financing the war became more and more acute and all the resources of the money market were concentrated on that end.

1. The first period was marked by unprecedentedly large issues of credit by the Bank of England to meet the crisis caused by the outbreak of the war.[1] Pre-war bills of exchange were freely discounted and renewed, special loans were issued to acceptors of bills, to exporters and to lenders on stock-exchange securities; under the provisions of the first War Loan in November, holders could borrow on it from the Bank of England at 1 per cent below Bank rate. In addition to these issues by the central bank loans were made by other institutions. On the other hand the supply of bills was much restricted by the decline in trade, the reduction in finance bills and acceptances, and the increase in cash transactions. By the beginning of 1915 the effects of this situation were becoming serious. Money-market rates were very low, the American exchange became unfavorable, and suggestions began to be

[1] *Cf.* Withers, *War and Lombard Street*, Keynes, *Economic Journal*, 1914, p. 463 *et seq*; 610 *et seq*.

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heard that rates ought to be higher. At the same time it was clear that with large supplies of credit and few bills, raising rates would be difficult. The joint-stock banks held greatly increased deposits on which they were paying interest and they were therefore anxious to lend;[1] with the supply of credit so far greater than the demand, which was further limited by the restriction on capital issues promulgated in January, 1915, raising the Bank rate would be entirely useless.[2] The Bank of England's reserve fell to 18 per cent of its liabilities. Various attempts were made to control the situation. Representatives of the joint-stock banks met on April 1 and agreed to raise the short-loan rate to 2 per cent. An attempt made by the Bank of England to borrow up supplies of credit proved a failure. The Treasury began to issue bills in excess of current requirements in order to collect the surplus into the Treasury balances at the Bank of England. On April 13 a step was taken which altered the whole state of affairs. Treasury bills which had hitherto been issued periodically in limited amounts to the highest bidder were now sold daily in unlimited quantities at rates fixed by the Bank of England. As Treasury bills were then the chief opening for investment, these rates tended to set the rates for other borrowers. From this time the government was able to exercise a control proportionate to the limitation in other sources of investment. In consultation with the Bank of England it was in a position to fix such rates as the credit situation required. Its policy was, however, swayed by

[1] Figures for British banks (excluding the Bank of Eugland):

	Current and Deposit Accounts.	Cash on hand and at the Bank of England (for those banks which show this item separately from cash at call and short notice).
	£	£
1913–14 . .	1,032,986,100	235,957,800
1914–15 . .	1,135,606,000	276,045,900

[2] *Cf. Bankers' Magazine*, January, 1915. "The free discounting of bills at the Bank of England so increased the supply of floating credits in the market as to make Bank rate hopelessly ineffective, so that now we are faced with a drain of gold, it seems well-nigh impossible to raise discount rates to a level affecting the exchanges." *Cf. Economic Journal*, 1914, p. 616.

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many considerations besides that of protecting the gold reserve.

2. This brings us to the second period, of which the following were the main characteristics. The government was the chief borrower in the market and market rates tended to keep fairly close to the rate fixed for Treasury bills. The main object of the government was to concentrate all available supplies of credit, both home and foreign, in its hands, and to ensure that the money constantly disbursed by it should be returned as soon as possible. The rates it offered were therefore high. At the same time rates abroad were rising, the supply of cash and credit within the country was increasing, and it was often difficult to prevent lending and discounting at low rates by institutions out of touch with the government policy. Special measures were taken. In November, 1915, the Bank of England offered interest at 4½ per cent on balances deposited with it by the joint-stock banks. This tended to prevent their making loans at lower rates and so to keep up the discount rate while it increased the power of the Bank of England to lend to the government. The success of this policy was seen at the end of the year. The usual stringency which is shown in the money market at this time had not appeared in 1914 owing to the large supplies of floating credit, but in December, 1915, the market was again borrowing from the Bank of England to satisfy the periodic increase in the demand for cash. In the middle of 1916 a rise in rates in neutral countries led to a rise in Bank rate and this to a rise in all other money rates. But exports of gold were large, and easy monetary conditions at the end of the year showed the incipient dangers of the situation. The great increase in the quantity of Treasury bills issued meant that large quantities of credit were constantly being thrown back on the market as these matured. So long as this credit was re-invested in government securities, the market rate of discount was not much affected but the danger remained. The success of the Treasury control of rates depended in fact very much on the absence of other borrowers. At this stage the home supplies of credit were pretty well under control but there remained a difficulty in retaining neutral balances.

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3. From 1917 onwards the credit situation developed on the same lines. The supply was increased by further issues from the banks. These when disbursed by the government were paid in by the recipients to their banking accounts and formed the basis of further issues. Currency notes increased the supplies of cash. Discount rates abroad were rising. The government was faced with three financial problems—to borrow more, to borrow cheaply, and to prevent the export of funds. The inherent weakness of the situation and the influence of the Treasury bill issues were shown when an attempt was made in March to return to the old system of sale by weekly tender. This led to such violent fluctuations in rates that after trying the expedient of issuing intermediate bills at Bank of England rates between the weekly sales, the continuous method was reverted to. The pegging of neutral exchanges and the control over the issue of securities prevented the export of funds to some extent, but lowering of rates in England was followed by removal of neutral balances from London to New York. At the end of 1917, a new device was hit upon. The Bank of England offered a higher rate to clearing banks on balances made up of foreign money than on balances made up of domestic money. This was followed by a general lowering of rates and the extension of the special Bank of England deposit rate to other institutions besides the clearing banks. In January a special regulation under the Defence of the Realm Act forbade the export of capital by persons resident in Great Britain. The leak had now been stopped more or less and the government was able to go ahead with its policy of cheap borrowing.[1] The general check to trade helped of course to prevent the ordinary effects of low rates. In May, 1918, the joint-stock banks agreed to limit their deposit rates to a maximum of 3 per cent. The government's measures for protection against competitors, both domestic and foreign, and at the same time borrowing cheaply, were now complete; the rate for Treasury bills dominated the market; market rates were below those prevalent in 1916 and hardly fluctuated at all.

[1] It was said, however, that large sums of neutral money were exported in spite of the special rate.

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But though prevented by the stagnation in trade and by special devices from developing their normal results, the essential conditions were full of danger. Rates were low, the supplies of credit were large; the connection between credit issues and the Bank of England's reserve was broken, and the Bank's power over the market was gone. For the moment, rates were controlled by the government in the interest of war finance. It remained to be seen what would happen when this control was removed and ordinary economic forces once more had free play.

The Situation Since the Armistice

The dangers of the situation and the measures necessary to meet it were explained in the report of the Cunliffe Committee published in August, 1918. During the year after the Armistice, government regulation of the money market was gradually relaxed and the recommendations of the Cunliffe committee were put into force. It may be as well to review briefly the most important events. In January, 1919, the special Bank of England rates on allied balances were removed; in October the special rate on foreign balances was done away with altogether. In March, 1919, the control over the American exchange was abandoned, and in August the restrictions on the export of capital and the agreement fixing deposit rates at 3 per cent were given up. The limitation of capital issues was removed in December, 1919. On the other hand the export of gold was forbidden. In pursuance of the Cunliffe committee's recommendations the currency note reserve was strengthened by the addition of Bank of England notes and a limit was fixed to the fiduciary issue. In January, 1920, the government recommended that the joint-stock banks should transfer their gold holdings to the Bank of England, and consequently some thirty to thirty-five millions were transferred. In November, 1919, the Bank rate was raised to 6 per cent. Throughout the year Treasury bills remained the chief source of investment. But there was no longer any reason why credit should concentrate in the hands of the government; an attempt to raise a long-dated government loan met with little response, and by 1920

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trade had revived and a boom had begun. The demand for credit increased rapidly. In April the Bank rate was raised to 7 per cent and the market rate followed.[1] The increase in bank deposits was checked, but the total volume of credit issued did not diminish. The fiduciary limit fixed for the currency note issue has not been reached but the total amount outstanding increased during 1920 and has only slightly decreased during the recent trade depression. The reserve of the Bank of England decreased and the proportion of reserve to liabilities touched a record (it was 7.9 on November 30th).[2] It looks as though the connection established on the Cunliffe committee's recommendation between the currency note issue and the Bank of England's reserve were only constituting an extra strain on the Bank without exercising a check on the market. So long as the banks hold large supplies of Treasury bills and can demand cash for them as they mature, the reserve of the Bank of England is no longer the sole cash supply for domestic purposes and its depletion can have little direct effect on the issue of credit. It remains, however, the chief source of supply for export purposes and is therefore still subject to exhaustion if credit is not properly controlled. For the moment this danger is averted by the prohibition on gold export and the deadlock in the exchanges. With the revival of foreign trade which depends in part on the removal of the prohibition, the real difficulties of the London money market will become clearer.

On April 21, 1921, a new policy was adopted with regard to the sale of Treasury bills. The old method of sale in unlimited quantities at fixed rates was abandoned for a weekly sale of fixed amounts at rates determined by competition. Be-

[1] It was lowered to 6½ per cent on April 28, 1921, and to 6 per cent on June 23.

[2] The figures are as follows:

	Reserve.	Proportion of reserve to liabilities.
July 1919	27½ million	20.5
January 1920	24 million	16.75
July 1920	16 million	12.2
December 1920	14 million	9.6
June 1921	18 million	11.9

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tween these weekly sales additional bills are offered at rates slightly lower than the previous weekly tender rates. The government remains one of the chief borrowers in the market, and money and discount rates are largely affected by the rates for Treasury bills. When these are not renewed the government fills in the gap by borrowing on Ways and Means from the Bank of England. When the trade demand falls off the banks again employ their surplus credit in government securities and Ways and Means advances decline. The situation then is far from normal. It is possible, however, to suggest certain elements tending to weaken the power of the Bank of England to regulate market rates even when the government pays off its floating debt and there no longer exists a paper basis for credit issues which endanger the gold reserve by tending to lower the market rate of discount below that prevalent in other centers.

We may then attempt to summarize the existing relations of the Bank of England to the money market, distinguishing between the elements which are due to the continuance of war finance and presumably temporary, and those of a more permanent nature. The Bank of England's control before the war depended in the last analysis on the fact that during any short period the supply of funds in the money market was constant.[1] Banks could not increase their liabilities beyond a certain proportion of their cash balances; further, when a bank made a loan, funds were liable to be withdrawn from it and deposited with another bank; the consequent depletion of its resources constituted a check on further lending. Hence it used to be said that the Bank of England was the only real creator of credit because funds withdrawn from it were returned in the cash balance of the bank to which they were paid. The balance sheet of the Bank of England still balanced and the other bank was in a position to increase its loans. This situation has altered in several ways.

1. (a) Cash balances can be increased without direct recourse to the Bank of England. First, the banks have large holdings of Treasury bills and by not renewing these at maturity

[1] *Cf.* Tritton, "The Short Loan Fund", *Journal of the Institute of Bankers*, 1902.

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can at any time increase their cash balances. Second, loans made by the Bank of England to the government and paid out by it to private individuals are paid into the banks as cash deposits. In both these cases, the increase in balances forms a basis for an increase in credit to a much larger amount.[1] The reduction or funding of the floating debt would cut off these sources of superabundant cash, but there are no signs of this so far.

(b) In the second place it is no longer true that the Bank of England is the sole creator of credit. When one bank increases its loans further increases are held in check by the depletion of its balances resulting from drawing cheques on the loan. But when all the banks are increasing their loans by lending to the government or to trade as they have done during the past year, withdrawals from one bank will be balanced by payments from another and credit will go on expanding. This state of affairs is no doubt a much more temporary one, but taken in combination with the present elasticity of cash reserves it means that the possibility of the Bank of England's regulating the total supply of credit is very much less than it was before. Credit is more easily increased and it is therefore more difficult for the Bank to obtain control over it.

2. In the next place, it seems likely that the relation between credit issues and cash reserves is more elastic than before. The proportion of cash to deposits made by the joint-stock banks was for some time larger than before the war; it is now considerably smaller.[2] Moreover, the total supply of credit is larger. Before the war, banks were habitually lending up to the limit of their resources and a very small reduction in their cash balances was enough to produce a stringency in the

[1] *Cf.* the Cunliffe report, p. 4, footnote 2.

[2] The proportion of cash (excluding money at call) to deposits held by English joint-stock banks has been as follows:

1913	16 per cent.
1914	21 per cent.
1917	19 per cent.
1919	17 per cent.
1920	16 per cent.
1921 (May)	14.6 per cent.

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market. It was estimated in 1892 that the removal of two or three millions was enough to make the market dependent on the Bank of England for further supplies. In 1910 Withers had about the same margin in mind when he said that a reduction of Other Deposits to 41 millions would produce a stringency. The banks either hold large supplies of cash or are willing to allow the proportion of cash to liabilities to run lower and if the total supply of credit is larger, the spare margin must be larger—that is to say the banks will be able to lend larger amounts and the Bank of England will have to borrow larger amounts from the market before the limit of the banks' resources is reached. Up to the present time the abnormal trade demand and the sale of Treasury bills have absorbed the surplus, but this cannot continue. On the other hand, with a higher level of prices the normal demand for credit must be larger. There are two other mitigating considerations. A higher level of prices may make bankers regularly keep larger cash balances. Also there is said to have been recently an increased use of cash as compared with the use of bank-money, due partly to the increased tax on cheques, partly to the rise in money wages, which are generally paid in cash. This also would tend to increase the proportion of cash which the banks would require, but it is not clear that either of these changes is permanent, and the general development of business methods has been making for an increased use of credit instruments as a means of payment. The existence then of a large free margin of credit makes it more difficult for the Bank of England to obtain control either by the device of borrowing up supplies or at those periods when it used to gain control automatically. Increased taxation will no doubt sweep larger amounts into the government account in the spring quarter and tend to absorb the surplus then. Paying off the floating debt with the proceeds of taxes, or funding it, will reduce inflation but it will not solve the problem. A permanent increase in the normal trade demand for credit might counterbalance the increased supply; otherwise there appears to be here a serious factor making for low discount rates in the future and less control by the Bank of England.

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3. Thirdly not only is the relation between credit and cash reserves looser than it used to be but the relation between credit issues and *gold* reserves is looser. So long as currency notes are acceptable by the general public, the link with the gold reserve is loosened for the banks because they can use notes as cash. The connection was indirect before the war because the banks counted deposits with the Bank of England as cash, but it is still looser now. The Cunliffe committee recommended restoring the link by the establishment of a gold cover for every currency note issued beyond a certain amount. As remarked before, this only seems to be constituting an extra drain on the Bank of England's reserve. The expansion of credit affects the gold reserve but it does not affect the cash balances of the banks (because they can increase them at will), so that credit is increased without danger so far as the home demand for cash is concerned; meantime any foreign demand will fall on the gold reserve once the prohibition on the export of gold is taken off.

Coöperation from the banks in restricting the amount of credit in face of a drain on the Bank of England's reserve is therefore, from this point of view, rather less likely than before because they will be less directly affected by it.

4. The next point is the question of independent reserves. The decentralizing movement was checked in the early part of 1920 when, at the request of the government, large quantities of gold held by the banks were transferred to the Bank of England. The *Economist* remarked at the time however that this could only be considered an emergency measure, and there are still supporters of the separate reserve idea. Of these the most prominent was the late Sir Edward Holden, and the last speech he made to the annual meeting of shareholders of the London City and Midland Bank in January, 1919, shows his point of view.[1] He wanted the joint-stock banks to hold large re-

[1] *Bankers' Magazine*, March, 1919. "We have had recently a great change in the condition of the joint-stock banks, as a result of which they have become much larger and more powerful. For this reason I think they ought to keep sufficient reserves to make themselves independent of any need for discounting at the Bank of England in times of crisis."

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serves of gold specifically with the object of being independent of the Bank of England in times of crisis and he referred to an occasion during the war when joint-stock banks were able to export twenty millions of gold without any effect upon the money market. "If", he said, "the Bank had provided the amount found by the joint-stock banks *it would have meant most probably an increase in the Bank rate.*" This is a most excellent example of what would happen to the Bank's control over the market if the joint-stock banks held large separate reserves. It is of course in direct opposition to the recommendation of the Cunliffe report.

5. Another factor to be considered is the effect of recent bank amalgamations. There began in 1917 and proceeded with great vigor during 1918 and 1919 a process of amalgamation in England which reduced the number of large banks to five (generally referred to as "the Big Five" in London newspapers).[1] This was considered sufficiently serious for a committee of inquiry to be appointed. The report, published in May, 1918, is very guarded in its language, but some of its remarks are worth quoting. The committee said that while they believed that there was at present no idea of a Money Trust, it appeared not altogether improbable that circumstances might produce something approaching it at a comparatively early date. "The position of the Bank of England would", they said, "be seriously undermined by so overwhelming a combination and the Bank might find it extremely difficult to carry out its important duties as supporter and regulator of the money market." A review of the report said later, "It may be questioned whether the gigantic size they [the joint-stock banks] have already attained does not constitute a menace to the predominant position which the Bank of England has hitherto enjoyed."[2] The adoption of the report was followed by legislation making amalgamations illegal without government approval. It is worth noticing that this was immediately followed

[1] The total number of English joint-stock banks in December, 1920, was thirteen, *cf. The Economist*, Feb. 5, 1921, p. 217.

[2] Addis, *Edinburgh Review*, July, 1918.

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by three more combinations so that the check thus constituted does not appear to be serious.

It is obvious that the difficulty of control is increased if the Bank of England is faced not by a number of competing banks but by five large banks probably working in unison. Further, the concentration of reserves into a few hands means that a larger amount of credit can be issued on the old basis. The smaller the number of banks, the more likely it is that funds withdrawn from one bank will return to the same bank as deposits. The probability of a drain on cash balances is therefore not so great and the proportion of cash reserves to loans can therefore be lower.[1] Hence, since supplies of credit can be more easly increased, the Bank of England is again in a worse position than before. It looks as though the money market in the future would be controlled by a combination of the joint-stock banks. It is true that competition between banks tends to keep down rates and that from this point of view combination might make it easier to raise rates when necessary, but banks which pay interest on deposits cannot be expected to take an impartial view of the proper amount of credit to be issued. As the Cunliffe report said, "it is very undesirable to place the whole responsibility upon the discretion of the banks, subject as they will be to very great pressure in a matter of this kind." The difficulty is perhaps to some extent mitigated by the fact that a large part of the deposits are kept on current account and banks in England do not as a rule pay interest on current accounts. It is clear however that this combination of banks is a serious danger to the position of the Bank of England.

6. Finally with regard to the customary link of 1½ per cent between the rate of interest on deposits and the Bank rate, which used to safeguard the position before the war, all that can be said at present is that the deposit rate has been 2 per cent below Bank rate ever since the special agreement on the subject between the government and the banks came to an end in August, 1919.

[1] Sir Charles Addis thinks that amalgamation will not increase credit supplies—*cf. Edinburgh Review*, July, 1918.

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Conclusion

We have now considered at some length the influence of the Bank rate on the market rate of discount. The conclusion seems to be that its influence is seriously weakened under present conditions and that there are elements in the situation which tend to make that weakness permanent. The old system by which any large increase in the quantity of credit over a short period depended mainly on the central bank was, as we saw, breaking down before the war. A return to it does not now appear probable. The Bank has at the present moment less control over the supply of credit than at any previous time in its history. In view of the difference between its resources and those of the five big London banks, as shown below, it does not seem likely that any policy adopted by it in opposition to

RELATIVE RESOURCES OF THE ENGLISH JOINT-STOCK BANKS AND THE BANK OF ENGLAND.

In millions of pounds.

		Capital and reserves.	Deposits.	Total liabilities.	Cash.	Investments, loans and discounts.
Dec., 1900.	Bank of England.	18	44	92	29	63
	Joint-stock banks No. of banks—77.	79	597	698	144	523
Dec., 1913.	Bank of England.	18	71	119	35	84
	Joint-stock banks No. of banks—43.	82	809	963	236	661
Dec., 1919.	Bank of England.	18	200	309	91	218
	Joint-stock banks No. of banks—21.	107	1,880	2,138	453	1,528
	The "big five"..	84	1,553	1,741	368	1,252
Dec., 1920.	Bank of England.	18	190	340	128	212
	The "big five"..	105	1,634	1,818	382	1,338
	The London joint City and Midland (largest of the five).....	22	373	423	96	295

them would be successful or that it could, in any length of time which we need here consider, acquire a position of equality with them as far as material resources are concerned. The

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future control of the market appears to lie with some kind of coöperative action between the joint-stock banks and the Bank of England, a coöperation in which no doubt the historic prestige of the Bank might give it a greater influence than appeared on the surface and which might perhaps exert a more effective control than the old competitive method. This system would however be a new one and different from any that exists at present.

There is one aspect of the problem on which this paper has not touched. That is to say how far a higher rate of discount in the London money market will affect the rate of exchange in England and the flow of gold. This is of course, in one sense, the most important question, since the whole object of the policy which we have been considering is to produce an effect on the exchanges and on specie movements. To a great extent the effect of a higher rate will depend on how far international trade continues to be financed through London institutions, but the problem as a whole is a large and complicated one; the question dealt with here is at once a part of and a necessary preliminary to this larger problem.

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THE DECENTRALIZATION OF RUSSIAN HISTORY[1]

BECAUSE of the condition of low visibility created by the hopes and fears that cluster around the Russian revolution and the subsequent experiment in Communism, it is perhaps impossible for anyone, however favorably placed, to give at this time an adequate answer to the question, "What has actually happened in Russia, and why?" Popular interest demands that Communism shall be treated as a world-problem of the future, and yet the Communist experiment itself, in so far as it can now be brought within the bounds of knowledge, is primarily a Russian problem of the past. The great concentration of interest upon what *may* happen, is certainly a prime obstacle to the understanding of what *has* happened, for the atmosphere of agitation and counter-agitation is most uncongenial to sound scholarship.

Nevertheless it may not be impossible to formulate even now a few of the problems that must be solved if the history of recent years in Russia is ever to be made comprehensible. To begin with, it may be said that the conventional treatment of the history of this period by chronological stages is subject to some of the same disabilities that attend the division of the history of the United States into four-year periods, with the names of the presidents for chapter-headings. In the one case as in the other, the chronological method makes for a concentration of attention upon political activities at the capital, and a very

[1] *Bolshevik Russia.* By ÉTIENNE ANTONELLI. Translated from the French by Charles A. Carroll. New York, Alfred A. Knopf, 1920.—xi, 307 pp.

The Russian Workers' Republic. By HENRY NOEL BRAILSFORD. New York, Harper & Brothers, 1921.—x, 274 pp.

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skimpy handling of developments in the provinces. Hence it seems advisable to suggest a primary division of the subject into four parallel phases, which may even be referred to, for the sake of emphasis, as four distinct revolutions—the agrarian, the industrial, the commercial, and the political. Next, it may be said that each of these revolutions has passed through a period of destruction, followed by a period of construction. In what stage, then, was each of the revolutions at the time of the Bolshevik *coup d'état*, and in what direction was each proceeding? Has there been, in any case, a change of direction since the *coup d'état;* if so, what were the causes of the change; what specific means were used in effecting it; and what measurable results have been produced?

Although the various analytical studies suggested by these questions can in themselves produce no substitute for a synthetic account of the revolution, they are the necessary preliminaries to any adequate synthesis. Hence Mr. Maurice G. Hindus's recent volume on *The Russian Peasant and the Revolution* would be a welcome addition to the literature of the period, even if it did nothing more than suggest the possibility of treating the agrarian revolution, not as a purely incidental matter, but as a more or less autonomous movement, with a history of its own. If the promise of the title is not fully realized in the text, one may be sure that the fault does not lie chiefly with the method of approach.

Mr. Hindus opens his volume with a sketch of the "painfully picturesque" conditions in a Russian village, followed by a brief account of the rise of serfdom and a more extended discussion of the hardships which the peasants have suffered since the promulgation of the Emancipation Act in 1861. The picture of peasant misery is rather freely drawn, in a manner calculated to appeal to the popular taste, and yet the foundation of statistical facts is very solidly built. The partial expropriation of the emancipated peasantry from the lands they had occupied as serfs, the levying of excessive redemption dues upon the lands allotted to the peasants after the emancipation, the shortage of every facility for the improvement of agriculture, and the efforts of the peasants to supplement the insuffi-

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cient income from their allotments by domestic industry and by wage-work—these are some of the subjects discussed in the four chapters which form the most substantial portion of the book. The conditions described correspond somewhat to those created in England by the later enclosures, except that in Russia industry had not been sufficiently developed to afford a large outlet for the labor-surplus.

When the *mir* or village commune comes up for examination, the author loses much of his sureness of touch. The spheres of communistic and bureaucratic activity under the old régime are not clearly defined, and a tendency to minimize the importance of the *mir* becomes immediately apparent. It is stated that the *mir* might "elect its shepherds for the summer"; it might "exercise its own discretion in levying the amount of grain each member was to contribute to the village granary—a sort of grain-bank where in winter and spring the needy might borrow rye, barley, oats, for seed and bread"; it might "build its own blacksmith shop and windmill, and choose its own smith and miller". The *mir* was also the owner of forests and pastures, which were generally used in common, and of arable lands, which were periodically redistributed for cultivation by individual families. However, Mr. Hindus allows himself to say that "in the larger and more significant aspect of the individual and social life of the peasant, the *mir* was deprived of the privilege of formulating its own will"; and yet it should be self-evident that even under the old régime the free functions of the *mir* were of surpassing importance. Bureaucratic officials were simply meddlers in the life of the village, but the *mir* was a living organism that gave promise of being able to live by itself, if the opportunity should ever come.

The opportunity did come at last, when the land-hunger of the peasants had been redoubled by privations incident to the war, and the Autocracy had fallen before a light puff of wind blowing through the streets of Petrograd. The agrarian revolution which had died down after the jacqueries of 1905 now broke out once more. The dispossession of the landlords began in real earnest. The Constitutional Democrats had a plan for stopping the process by a careful redistribution of lands,

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with compensation to the owners. The Social Revolutionaries would have called a halt in the process of expropriation until the Constitutional Assembly met. Kerensky formed local and central committees to settle disputes, and then began at the last moment to prepare a decree of expropriation which he never had the opportunity to issue. At two o'clock in the morning of their second day in power, the Bolsheviki declared: "All private ownership in land is abolished immediately, without any indemnification."

Mr. Hindus discusses the land-programs of the various parties in detail, and perhaps too seriously. What one would really like to know is, what—in detail—was going on in the provinces where the peasants were making their own revolution, first in direct opposition to the will of the Government, and finally with its approval. Mr. Hindus gives little help here—but perhaps the data are not yet available.

Further than this, one would like to know whether the uncontrolled agrarian revolution was proceeding toward individual proprietorship, or toward a considerable enlargement of the functions of the *mir*. Mr. Hindus does not find it necessary to establish the decay of the *mir* as a preliminary to his advancement of the theory that nearly all the peasants favor the individual ownership of land. In fact he himself says that comparatively few peasants took advantage of the imperial ukase of November, 1906, which gave them the opportunity to "emerge" from the *mir* and to claim their share of the communal lands as private property. Ever since the overthrow of the Tsar, the peasants have been quite free to do what they pleased with the *mir*. Apparently no one knows exactly what they have done, but in the absence of any proof to the contrary, it may perhaps be safe to assume that the *mir* became more important, as the central government became less so. The communism of the village, with its system of individual cultivation, and of private property in the products of the soil, is of course quite different from Bolshevik communism, but it is also quite different from Mr. Hindus's individualism. In time it will perhaps be recognized as the constructive principle of the agrarian revolution.

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For on account of what was going forward in the shops and factories of Russia during the period of political disintegration, one must trust to incidental references in volumes that deal primarily with events at the capital. There is real need for a book on the industrial revolution, but if any such book has yet appeared, it has not come to the writer's notice. However, it seems to be pretty generally agreed that the collapse of the central political authority opened the way for a process of expropriation by the industrial workers which proceeded in parallel with the land-seizures of the peasants. The factory councils corresponded roughly with the village communes, and in the one case as in the other the spontaneous action of the revolutionists seems to have produced a high degree of decentralization, with a corresponding development of local organs of economic self-government. In most accounts of the period, the factory councils have received more attention than the village communes, but no one appears to know just what proportion of the industrial plants of the country were already in the hands of these councils when the Bolsheviki came to power in Petrograd. In the absence of specific facts, the acknowledged difficulty which the Bolsheviki experienced in establishing central industrial control will give a general notion of the strength of the movement for "self-determination" in the factories.

The commercial revolution has not been treated anywhere as a specific movement, and perhaps does not deserve to be so treated. While the destruction of the old systems of agricultural and industrial production seems to have been due almost exclusively to the action of the peasants and the workers, there is little evidence that the dissolution of the distributive system was caused by any positive activity on the part of those engaged in its operation. Indeed the decay of trade and commerce seems to have been in part a by-product of the blockade and the decrease in domestic industrial production, and in part the result of destructive attacks from without. Thus the trading group did not develop within itself any such constructive principle as that which operated in the village communes and the factory councils. The societies for coöperative distribution were perhaps the sole exception to this rule.

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If this speculative analysis of the trend of events in Russia is accepted as tolerably sound, in spite of the manifest incompleteness of the data upon which it rests, it will then become apparent that the destruction of the old economic order was inevitable, whatever the attitude of the Government might be. If revolutionary destruction was inevitable, then civil war was inevitable, with all the hardships entailed by the disorganization of industry and commerce, and the diversion of energy into military channels. Under the pressure of such conditions, the revolutionists would necessarily be drawn together for the purposes of self-protection. If the new leaders could not stop the process of destruction, the question of prime importance was, would they accept as their final guide the constructive principles embodied in the *mir*, the factory council and the coöperatives, departing from these principles only in so far as was absolutely necessary to meet the economic and military needs of the moment, or would they attempt to effect a fundamental alteration in the course the revolution had naturally taken?

The answer to this question was supplied by the political revolution which brought the Bolsheviki to power. This revolution is called "political", because in the beginning it resulted simply in the replacement of one impotent government by another. Now, for the first time, the political wind blew with the tide, and even accelerated its movement. In his volume on *Bolshevik Russia*, M. Étienne Antonelli says that before any official action was taken by the Bolsheviki, the soldiers had already made peace, the peasants had seized the lands, and the workers had created committees which claimed exclusive control of the factories. Elsewhere he characterizes the Bolsheviki as the "accidental instruments of an inevitable evolution", and says that they asserted "a policy of direct and voluntary organization from the bottom up, by means of free and self-determined action by the proletariat".

However, this was only the beginning of the story. If at first the mass of the workers and the peasants were either pro-Bolshevik or indifferent to Bolshevism, it was because they believed that the new government would permit the revolution to take its course. In this they were not altogether correct, for as

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M. Antonelli says, the Bolsheviki were "socialists, . . . concerned with the social organization of the whole community; 'Power to the Soviets' for them was a means; for the mass of the people it was an end". In other words, the Bolsheviki, or as they are now called, the Communists, had constructive aims of their own which differed somewhat from those already expressed in the action of the masses. In order to achieve their aims, the Communists proposed to complete the destruction of the bourgeois State and to erect a powerful proletarian State in its place. The existing Soviets or Councils of revolutionary workers, soldiers and peasants had already given some vague promise of the political reunification of the country, but thus far most of the workers and peasants had gotten along fairly well without paying any attention to the State. Now, however, the Communists said that it must be rebuilt on a new foundation, and used as an instrument for the final suppression of the propertied class. The process of destroying the old State had begun in March, 1917; the process of constructing the new State began with the Bolshevik *coup d'état;* the history of this double process is the history of the political revolution.

M. Antonelli's volume is primarily a history of Bolshevik politics during the months immediately following the *coup*. It is by no means a satisfactory account, for it is badly organized, and somewhat too heavily weighted with superfluities about the Slav soul. Nevertheless it should be said that the author's fair-mindedness is well established by the answer he gives to the question, "Could the Bolshevik leaders be bribed [by Germany] to perform a task opposed to their political convictions?"

In these times, such a question as this has hardly more than an antiquarian interest. The facts of prime importance in Bolshevik political history are those which have to do with the gradual narrowing-down of the class of "active citizens", and the establishment of a complete Communist dictatorship. As has been said already, the agrarian and industrial revolutions belonged in the beginning to the mass of the peasants and the workers. The accession of the Bolsheviks was regarded as a confirmation of the control of the masses. The Soviet Constitution seemed to accept this situation, for it restricted suffrage

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to the workers, and grouped these worker-citizens primarily in accordance with their economic interest as producers; in the agricultural regions, the village was the basic unit; in the towns, the shop-organization or the trade union. Upon this foundation there was erected a complicated system of indirectly elected Soviets, heading up finally in the All-Russian Congress. On the basis of evidence contained within the Constitution itself, one may say that the whole system was pretty thoroughly gerrymandered for the purpose of increasing the influence of the industrial proletariat. Just where the line fell between the urban and rural forms of organization is by no means certain, but a consideration of the census leads one to suppose that it would have been tolerably easy for the industrial element to maintain a position of control by the peaceable use of the constitutional means provided. Unfortunately, however, a considerable proportion of the industrial workers still insisted upon the maintenance of a high degree of autonomy in the factories. If a centralization of power in the new State was to be achieved, these recalcitrants also must be deprived of their influence—a result finally accomplished by an informal suspension of the Soviet Constitution and a practical restriction of political life to the 600,000 members of the Communist Party.

If no adequate account of these changes has yet been written, it is partly because the friends and enemies of Communism have been so much occupied with explaining why the changes were made. On the one hand, one hears that civil war and Allied intervention inevitably called up a dictatorship for the defense of the nation. On the other, one is told that the Communist leaders imposed the dictatorship of their own free will, for some fell purpose not specifically named. The truth probably lies somewhere between these two statements, and rather nearer the former than the latter.

On this subject, one can get but little light from such a volume as Bertrand Russell's *Bolshevism: Practice and Theory*. Mr. Russell entered upon his investigation of conditions in Russia with an avowed predilection for Anarchist Communism, and apparently also with a feeling of heavy responsibility for the effect his findings might have in Western Europe. In his

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book he occupies himself chiefly with an appraisal of Bolshevism as a means of attaining the "fundamental economic reconstruction" he desires; he tends from first to last to treat the revolution in all its aspects as a Bolshevik revolution, and to regard a Bolshevik revolution, not as something inevitable, but as something that one may take or let alone, as one pleases. Now, as a matter of course, Mr. Russell is at liberty to say, if he will, "I am compelled to reject Bolshevism for two reasons: first, because the price mankind must pay to achieve Communism by Bolshevik methods is too terrible; and secondly because, even after paying the price, I do not believe the result would be what the Bolsheviki profess to desire." He is even at liberty to transfer the theory of full, free and conscious self-determination to past history, though fewer people will follow him in this. However he produces a most confused impression when he says that the Bolshevik outlook on life is the outcome of the cruelty of Tsarism and the savagery of the Great War; that this Bolshevik outlook is "the ultimate source of the whole train of evils" in Russia; that the Bolsheviks are specifically accountable for provoking war and causing material disaster; that war and material disaster gave rise to most of the disagreeable features of the Bolshevik régime; and that "in Russia, the methods of the Bolsheviki were probably more or less unavoidable". In fact Mr. Russell's investigations seem to have yielded, not one theory, but several theories, of the part played by the Bolsheviki in the revolution. His appraisal of Bolshevik theory doubtless has some importance as a polemic document in the West, where Bolshevism is still nothing more than a theory, but his volume does not contribute materially to an understanding of the situation in Russia, where Bolshevism is, for him, a well-nigh inexplicable fact. If the reader follows Mr. Russell to the very end, and agrees with him in all respects, he will not want Bolshevism in his native land, but neither will he understand the nature of Bolshevik power in the ex-Empire of the Tsars.

Upon the authority of two competent observers who visited Russia in 1920—Mr. Ransome and Mr. Henry Noel Brailsford—one may say that in Russia the Communist Party is, for all

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practical purposes, the State. Since the party is not in any sense an economic organism for the production or distribution of goods, but a political organism for the control of the revolution, it is apparent that political activity still has some importance in Russia. In this state of affairs, the constitution and methods of the Communist Party are matters of the greatest importance in the history of the revolutionary movement as a whole. In his recent book on *The Russian Workers' Republic* Mr. Brailsford supplies a description of the party which suggests comparison with a religious order, and calls to mind Mr. Russell's statement that Bolshevism is a type of religious fanaticism. According to Mr. Brailsford, the existing dictatorship is based upon the perfect discipline and the heroic rashness of the party-members. A careful scrutiny of candidates, a long and rigorous novitiate, and a periodic purging of the party-rolls fits the membership for duty as "shock troops" wherever, at the front or in the factories, there is work of particular danger or difficulty to be done. "Such democracy as there is in Russia exists within the Communist Party, and not outside it. It is a grave mistake to suppose that Lenin rules as an autocrat. Every new departure of Russian policy, whether internal or external, is debated at the elected congresses of the Party and its elected executive is the real controlling power. . . . The vote of the Party Congress . . . closes all debate, and the minority submits absolutely." Communist majorities in the Soviets are secured by various legal and illegal means, sometimes simply by denying the opposition the use of the press and of public halls for the conduct of its campaign; and in the Soviets the Communists vote "as one man", in accordance with decisions already reached in their own party-meetings. In *The Crisis in Russia*, Mr. Arthur Ransome presents a less complete account of the methods used by the Communists to control the Soviets and the government, but one that agrees in all essential respects with that of Mr. Brailsford.

When matters of policy have once been decided in the manner described, the Government is immediately faced with the task of making the decision effective. Mr. Brailsford and Mr.

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Ransome are agreed that propaganda is of primary importance here, though both admit that force is used where propaganda does not produce the desired results. The army is of course the Government's most powerful weapon; Mr. Brailsford says that it will sooner or later be entirely in the control of Communist officers. Mr. Russell stresses rather heavily the importance of the Extraordinary Commission; Mr. Brailsford says the Commission admits having shot 8,500 prisoners before March 5, 1920, while Mr. Ransome expresses the belief that this organization is by no means the chief support of the dictatorship. Naturally such agencies as the schools, the press, and the theater are often used and abused for political purposes, and yet Mr. Brailsford is able to say, "It may be honestly claimed, I think, for the Soviet Administration that it has a better record in its relations to art and culture, generally, than any other government in the civilized world." It goes without saying that the intellectual life of Russia during the revolution can be treated historically as a mere annex to politics only in so far as the Communists have made it so, through the exercise of governmental control.

The means for the exercise of the dictatorship which have thus far been mentioned are those that operate through the government upon all the people alike, without special reference to economic function or organization. That is to say, these means of control are the political manifestations of the political power of the Communist Party. The history of the development of the Communist Party itself and of these means of control has an important place in the history of the political revolution, and yet it has already been said that the political revolution was of minor importance, as compared with the economic changes that accompanied it, altered its course, and were at last in some measure deflected by it.

In the opinion of Mr. Brailsford, the agrarian revolution came as the inevitable result of misery and oppression, and civil war and industrial collapse followed naturally in its train. The industrial workers were drawn off into the army, or went back to the land, and the government was soon faced with a labor-shortage which, Mr. Brailsford says, has since been at the

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bottom of all its difficulties. Mr. Ransome also discusses the labor-shortage at considerable length, and both writers are agreed that in the absence of some central agency, revolutionary or counter-revolutionary, for the conscription of industrial workers and the requisitioning of food, industry would have come completely to a halt, the towns would have been depopulated, civilization itself would have been extinguished, and Russia would have been thrown open to colonization and exploitation by Western Europe. Mr. Ransome even fears that the dissolution of Russia might involve the whole continent in the same fate. He looks upon the Communist Government as the only agency now capable of halting this process of dissolution, and the avowed purpose of his argument is the prevention of any conflict that might result in the overthrow of that government.

All this involves much speculation; and certainly one is not obliged to accept the identification of civilization with town-life maintained by requisition and conscription. However it is fairly clear that although the village communes and the factory councils were quite capable of performing the destructive work of the revolution, and would doubtless have carried this work through to a conclusion without governmental help, or in spite of governmental hindrance if hindrance had been offered, they were not capable of defending themselves during a long period of slow and entirely natural reconstruction. Thus a partial alteration of the course of the industrial revolution was necessary for purposes of defense, and in this sense it was inevitable.

What was especially required to meet the needs of the moment was not so much a political dictatorship which would affect all the people of the country, as an industrial dictatorship which would prevent the whole fabric of urban society from going to pieces. In a very real sense, the Communists chose the inevitable, and the history of their conquest of Russian industry is perhaps the most important chapter in the annals of the new régime. The nature of the methods employed is by no means clear, but it is extremely significant that the party does not now exert its control of industry solely through the mechanism of the Soviets and the government. The system of

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Soviets certainly exercises a considerable degree of control over industrial affairs, particularly through the Supreme Council of National Economy. On the other hand, the factory councils are not only bound together in territorial groups in the Soviet system, but are organized industrially in national unions, with the provision that organized labor as such shall have a considerable degree of control over wages and working conditions, and some share also in the actual management of plants and industries, either directly or through representation in the Supreme Council and other Soviet institutions. Since most of the Communists, perhaps nearly all of them, are members of these factory councils, they are in a position to control the industrial unions and the National Trade Union Congress from the inside by the same means they have employed for the control of the system of Soviets; and, according to Mr. Brailsford, this is approximately what they are doing. Thus it appears that in any account of the industrial revolution under the new régime, the history of the unions cannot properly be subordinated to that of the government. If both the unions and the government are nothing more than mechanisms employed by the Communist Party to make its will effective, it is nevertheless important that the principle of national organization by industries still does service in company with that of organization by districts and provinces.

Under Communist control, two notable changes have taken place in the actual conduct of industry; management has been to some extent centralized, and industrial conscription has been instituted. Mr. Ransome reports that in 1920 the centralization of management was the subject of bitter controversy, with the prospect that the factories would eventually be placed in the control of "bourgeois specialists", who, for all practical purposes, would be responsible to the State alone. Mr. Brailsford says, "individual management is now [in 1920] the rule, though the Workers' Councils survive". According to Mr. Ransome, all stages of industrial conscription existed simultaneously in Russia in 1920; the tremendous difficulty of the labor-problem is indicated by his statement that the number of workmen in Moscow in 1919 was only 105,000, as against 157,000 in 1918.

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Statistical studies of the operation of conscription, and of industrial output under various conditions of technical direction and labor-control, would furnish invaluable material for a history of the industrial revolution. Mr. Brailsford and Mr. Ransome supply figures on production and transportation which are of great interest at the moment, but naturally the data are hardly full enough to be of permanent value to the historian of the Revolution.

If the history of the industrial revolution is somewhat obscure, that of the commercial revolution is certainly far more so. The exchange of commodities seems to have been less systematically organized than their production, for at one time private traders, coöperative societies and governmental agencies for the requisition and rationing of food were operating simultaneously. Evidence of a tendency to eliminate confusion is contained in Mr. Brailsford's statement that the official coöperative organization now represents the whole body of the citizens as consumers, and has been brought under Communist control by methods similar to those employed in the conquest of the Soviets and the industrial unions. If this is literally true, then the history of the third organ of the dictatorship demands as much attention as has habitually been given to the unions. However one suspects a certain inaccuracy in this reference to "the whole body of the citizens", for the place of the peasants in the official coöperative organization remains undefined. The peasants were a most important factor in the coöperatives of pre-revolutionary days; if they no longer participate, how did the Communists dispose of them; if they are still included, does this mean that the *mir* is now the basis of the coöperative organization in the agricultural districts? Does the coöperative system have local institutions of its own among the industrial workers; or does the factory council function as a primary unit, as it does in the system of Soviets and the system of unions? The answers to these questions, together with statistics on the origin, amount and destination of imports and domestic manufactures and foodstuffs handled by the organs of distribution, would constitute some of the material for a history of the commercial revolution under the Communists.

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The action of the Communist Party in dealing more or less systematically with the individual as a citizen, as a producer, and as a consumer, through three separate organs of the dictatorship—the Soviets, the unions, and the coöperatives—naturally facilitates the treatment of the revolution in parallel phases; and it is certainly no fault of the Communists that the movement must still be treated, not in three phases only, but in four. The peasants are citizens, producers, and consumers, and yet their influence in the Soviets is minimized even by the Constitution, now suspended; the system of industrial unions makes no place for any agricultural workers except those on the few Soviet farms which are organized and managed like factories; and the status of the peasants in the official coöperative organization is, to say the least, uncertain. In other words, the agricultural revolution still holds very much to its original course as a spontaneous and unorganized movement for the seizure of the land, with the promise of an increase in the importance of the *mir* as an incidental result.

Even without an effective central control of agriculture, the Communists can perhaps defend the country and, in exchange for foreign and domestic manufactures, secure enough of the peasants' food products to maintain the life of the towns under conditions which—they say—will eventually make all the townsmen into Communists; but at best this would simply broaden the non-agricultural basis of the dictatorship. The unorganized masses of the peasants would still stand between the Communists and their objective; and it is the very essence of Communist theory that the dictatorship shall be maintained until complete Communism is achieved.

What, then, of the future? The question is an engaging one, and no author here mentioned has missed the opportunity to answer it. Mr. Brailsford's speculations are, like the rest of his book, most interesting. However, information on the subject is extraordinarily scarce, and one is not disposed to attempt at the moment a careful analysis of prophecy.

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MAJOR CONSTITUTIONAL ISSUES IN 1920–1921

ANY division of constitutional issues into major and minor is necessarily somewhat arbitrary. This review of selected decisions of the United States Supreme Court handed down at the last term of court aims to include all those which add substantially to our previous knowledge of what the Constitution is construed to forbid or to permit. Each year some distinctly novel issues are submitted for adjudication. Each year certain decisions or certain opinions restrict or extend principles previously laid down. Each year a few soft spots in the law are made a little harder by the tamping of new applications of old principles. Now and then old doctrines are modified or definitely abandoned. The Constitution actually grows year by year. The record of this growth for the past year is set in the same pattern as that used for the record of the previous year.[1] The law of the federal system is separated as distinctly as feasible from the law of individual liberty.

I. THE STATES AND THE NATION

A. *The Scope of National Authority*

Exercises of the war power came before the court in a number of cases. A group of decisions[2] held that the Lever Act regulating the prices of necessaries was void for indefiniteness. The question whether proper price-fixing is within the war power was not even raised. Technically, therefore, the issue is still open, yet the absence of any suggestion by counsel or court that Congress is without authority to regulate prices in time of war suggests a significant lack of faith in any such contention.

[1] "The Supreme Court and the Constitution, 1919–1920", POLITICAL SCIENCE QUARTERLY, vol. 35, pp. 411–439.

[2] The two cases in which the constitutional issue is considered are United States *v.* L. Cohen Grocery Co. (1921) 255 U. S. —, 41 Sup. Ct. 298, and Weeds Inc. *v.* United States (1921) 255 U. S. —, 41 Sup. Ct. 306.

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Objections to the Trading with the Enemy Act and its provisions for seizing enemy-owned property were confined to the procedure for determining disputes as to ownership. In holding the objections unfounded[1] the court indicated clearly that the statute is within the war power. "There can be no doubt", declared Mr. Justice Holmes, "that Congress has power to provide for an immediate seizure in war times of property supposed to belong to the enemy, as it could provide for an attachment or distraint, if adequate provision is made for a return in case of mistake." "The statute," said Mr. Justice Van Devanter, "is strictly a war measure, and finds its sanction in the constitutional provision (article 1, section 8, clause 11) empowering Congress 'to declare war, grant letters of marque and reprisal, and make rules concerning captures on land and water'." The power to seize is not confined to property actually belonging to the enemy. It includes property suspected of enemy-ownership, provided there is adequate procedure for correcting mistakes. Neither case involved any question as to the ultimate disposition of the proceeds of property duly adjudicated to belong to an enemy. That the "rules concerning captures" may include ultimate confiscation as well as seizure and sale is, however, clear enough from one of the cases cited by Mr. Justice Van Devanter.

The power of Congress to limit the time in which proposed amendments to the Constitution must be ratified by the states was sanctioned in Dillon *v.* Gloss.[2] The opinion of the court went further than necessary and affirmed that, even in the absence of any time limit specifically set by Congress, an amendment proposed to the states for ratification would die a natural death if not ratified within a reasonable time. Proposal and ratification were said to be contemplated by the Constitution as "succeeding steps in a single endeavor" and therefore steps that must be reasonably near each other in time. Amendments are to be proposed only when deemed necessary by Congress, from which it follows that proposed amendments are to be

[1] Central Trust Co. *v.* Garvan (1921), 254 U. S. 554, 41 Sup. Ct. 214; Stoehr *v.* Garvan (1921) 255 U. S. —, 41 Sup. Ct. 293.

[2] (1921) 256 U. S. —, 41 Sup. Ct. 510.

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"considered and disposed of presently." So too the requirement of ratification by three-fourths of the states looks to an expression of "the will of the people in all sections at relatively the same period, which of course ratification scattered through a long series of years would not do." These various implications are as much a part of the Constitution as if clearly expressed therein. Thus the decision, instead of confining itself to the point that the power to propose amendments includes the power to limit the period for ratification, goes so far as to deny to Congress the power to extend the period of ratification beyond a reasonable time. This seems to violate the canon of constitutional construction to the effect that the court will not pass upon constitutional questions unless they are clearly presented and must be answered in order to dispose of the controversy in hand. Such action can be regarded as justified only if the restriction imposed by Congress on the ratification of the Eighteenth Amendment could be supported on no narrower ground. Yet obviously it would require less judicial invention to assume that the power to propose includes the power to limit the interval for ratification than to discover that the Constitution itself sets such a limit. In the case at bar it was affirmed that the power to make the limit a definite one is "a matter of detail which Congress may determine as an incident of its power to designate the mode of ratification." The seven-year limit set for the ratification of the Eighteenth Amendment was said to be reasonable, by which is evidently meant reasonably long. This is supported by reference to the fact that the first seventeen amendments were all ratified within four years and some within a single year after their proposal. No hint is given as to the span of life which a proposal of amendment might enjoy if not specifically restricted by Congress, though a reference is made to an attempt by Ohio to resuscitate one proposal eighteen years after its partial ratification and to the division of opinion expressed as to whether such revival was possible.

The Eighteenth Amendment came in indirectly for consideration in another case. In Street *v.* Lincoln Safe Deposit Co.,[1]

[1] (1920) 254 U. S. 88, 41 Sup. Ct. 31.

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eight members of the court thought that the Volstead Act did not mean to forbid the deposit in a public warehouse of liquor acquired by its owner prior to the Eighteenth Amendment and designed by him solely for consumption in his home by himself and guests. In concurring in the result of the decision Mr. Justice McReynolds expressed his belief that the statute prohibited such possession but insisted that the Eighteenth Amendment gave no such power to Congress, "since manufacture, sale and transportation are the things prohibited", and "not personal use." Even under this interpretation it would seem that Mr. Street would have to have his indulgence and his parties in his vault in the warehouse, unless Mr. Justice McReynolds should insist that transportation from the warehouse to his home was not transportation. How far his brethren agreed with him as to the meaning of the Amendment is not disclosed. Since the majority in the National Prohibition Cases[1] held that the power conferred by the second section of the Amendment justifies a ban on the manufacture of liquor conceded by the pleadings to be non-intoxicating, it is unlikely that they would follow Mr. Justice McReynolds in clinging so close to the letter of the first section.

The important question whether Congress may regulate the nomination of United States senators was considered in Newberry *v.* United States[2] and disposed of in a way to declare unconstitutional the particular statute under which Senator Newberry was convicted but to leave us in doubt as to what Congress may now do. The federal statute limiting expenditures to secure nominations for senator was passed before the Seventeenth Amendment substituted election by the people for elec-

[1] Rhode Island *v.* Palmer (1920) 253 U. S. 350, 40 Sup. Ct. 486, POLITICAL SCIENCE QUARTERLY, vol. 35, p. 416. In a dissent to this case filed subsequent to the announcement of the decision and therefore not noted in last year's review of decisions, Mr. Justice Clarke put himself on record as agreeing with Mr. Justice McKenna that the "concurrent power" of Congress to enforce the prohibitions of the first section of the Eighteenth Amendment could not be exercised independently of the states. He objected also to congressional prohibition of liquor conceded to be non-intoxicating and insisted that "the scope of the first section cannot constitutionally be enlarged by the language contained in the second section."

[2] (1921) 256 U. S. —, 41 Sup. Ct. 469.

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tion by the state legislatures. The Amendment left undisturbed the provision in the original Constitution that "the times, places and manner of holding elections for senators and representatives shall be prescribed in each state by the legislature thereof, but the Congress may at any time by law make or alter such regulations." According to four members of the court, the method of securing nominations is part of the manner of holding elections. Mr. Justice Pitney says that "an election is the choosing of a person by vote to fill a public office". It is a complex process requiring elimination of aspirants prior to the final choice. Trial heats are a part of the final race for the prize. Even if "election" is construed narrowly to include only the final choice between competing nominees, the "necessary and proper" clause grants power to regulate the manner of securing nominations because of the intimate relation between nomination and election. In a separate dissent Chief Justice White points out that there is a widespread conviction that the influence of the nomination is largely determinative of the election and reminds us that sometimes the result of the contest for nomination renders the subsequent election merely perfunctory. In the opinion of the court Mr. Justice McReynolds takes a diametrically opposite stand. Nomination may be prerequisite to election but it is no part of the manner of holding the election. Control over nominations is not necessary in order to effectuate the control vested over elections. Congressional regulation of senatorial nominations "would interfere with purely domestic affairs of the state and infringe upon liberties reserved to the people."

Had this broad position been accepted by five members of the court, there would be no doubt as to the scope of the decision. But Mr. Justice McKenna, who was one of the five who composed the bare majority voting against the constitutionality of the statute, announced that he "concurs in this opinion as applied to the statute under consideration which was enacted prior to the Seventeenth Amendment; but he reserves the question of the power of Congress under that amendment." He adds no elucidation of his position. All that the Seventeenth Amendment did was to transfer the election of senators

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from the state legislatures to the state electorates. At the time Congress passed the statute in question, representatives were chosen by electorates. As to nominations for representative, the statute may possibly still survive. Congress may possibly have power to pass a new statute limiting expenditures to secure nominations for senator. These questions are still open by reason of Mr. Justice McKenna's refusal to allow them to be closed by the decision in the Newberry Case. His position clearly contradicts the statement in Mr. Justice Pitney's dissenting opinion that it is undisputed that for present purposes the statute before the court is to receive the same construction and effect as if enacted after the adoption of the Seventeenth Amendment. Mr. Justice McKenna obviously agrees with the declaration of Mr. Justice McReynolds that "the criminal statute now relied upon antedates the Seventeeth Amendment and must be tested by powers possessed at time of its enactment." The reason given is that "an after-acquired power can not *ex proprio vigore* validate a statute void when enacted." To this is added that "a concession that the Seventeenth Amendment might be applicable in this controversy if assisted by appropriate legislation would be unimportant, since there is none." The four dissenting justices think the Seventeenth Amendment applicable without subsequent legislation, but do not tell us why—at least not so as to be understood. For all that appears, they think that the nomination was an integral part of the election when the choice was by the legislatures. Four of the majority, Justices McReynolds, Holmes, Day and Van Devanter, think nominations distinct from elections when elections are by the people as well as when they are by the legislature. Mr. Justice McKenna agrees as to nominations for election by the legislature. He thinks that when election is by the people, nominations may be part of the election or so closely related thereto that the regulation of nominations may be necessary and proper to the control of the manner of the election; but he refuses to apply to nominations for election by the people a statute passed before popular election had been substituted for choice by the legislature.

Mr. Justice McKenna's position is one that is hard to accept

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in full. One conceivably may agree that nomination is a less integral part of legislative choice than of popular election. Nominations are far from necessary prerequisites to election by a small body of men meeting recurrently. When the power to choose was vested in the state legislatures, there was reason to leave with them the power to choose between possible preliminaries to choosing. It is less necessary and less proper for Congress to regulate nominations to be acted on by state legislatures than to regulate those to be considered by the electorate. So before the Seventeenth Amendment a distinction might be drawn between congressional power to restrict the expenditures of candidates for nomination as representative and the application of similar restrictions on candidates for nomination as senator. The distinction depends on differences in the character of the election and the composition of the electing body. But such differences between senators and representatives were abolished by the Seventeenth Amendment. Since then, senators like representatives have been elected by the people. If the impediment to congressional control of nominations for senator was the fact that senators were chosen by legislatures, that impediment was removed by vesting the choice in the electorate. When Congress passed the statute which Senator Newberry was charged with violating, senatorial nominations were not within its constitutional scope because of the character of senatorial elections. When the character of senatorial elections is changed, nominations for the new method of election come within the constitutional scope of the statute. This is not denying that "an after-acquired power can not *ex proprio vigore* validate a statute void when enacted." It is saying that when the constitutionality of the application of a statute depends upon the constitutional character of the situation to which it is applied, it depends upon the constitutional character of the situation to which it is applied. The statute when passed applied of its own force to all nominations for election by the people. Such nominations at that time were confined to nominations for representative. When nominations for senator join the class of nominations to which the statute may constitutionally apply, the statute may constitutionally apply to nominations for sen-

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ator. An Act of Congress constitutionally applicable only to territories could not apply to California when California was part of Mexico, but without re-enactment it may apply to California as soon as California becomes a territory of the United States. If, therefore, Mr. Justice McKenna would apply to Mr. Newberry a statute passed after the Seventeenth Amendment, he should, it would seem, apply to senatorial nominations subsequent to the amendment a statute passed prior thereto.

The constitutionality of the new banks created by the federal Farm Loan Act was sustained in Smith *v.* Kansas City Title & Trust Co.[1] The opinion relies to some extent on the facts that the banks were to make certain investments in United States bonds and that the Secretary of the Treasury was authorized to make use of them as depositories of public money and as financial agents of the government. The fact that such use had not yet been made was held unimportant, and the court declined to consider the contention that the provisions for these powers or duties were mere pretexts and no substantial part of the scheme. The opinion does not authorize federal banks which have no relation to the fiscal operations of the United States, but it falls short of laying down specifically that the relation provided for in the Farm Loan Act is essential to its constitutionality. The explicit adjudication that no valid objection can be predicated on the private character of the banking business authorized or on the degree to which the banks are privately owned and controlled makes it evident that Congress may establish any system of national banks that it pleases by giving them subsidiary functions in aid of the Treasury.[2]

[1] (1921) 255 U. S.—, 41 Sup. Ct. 243.

[2] Justices Holmes and McReynolds declined to express themselves on the validity of the statute, since they contended that the court had no jurisdiction of the controversy. The action was a bill brought by a shareholder in a state bank to restrain the bank from investing in bonds issued by the federal farm-loan banks. The majority held that the suit arose under the Constitution of the United States because the determining question was whether the bonds were valid or invalid and this depended upon the constitutionality of the act of Congress. The minority thought this question material only because the state law made it so and declared that the cause of action arose under the state law and not under the Constitution or laws of the United States. Mr. Justice Holmes insisted that a case cannot arise under federal law unless such

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An effort by the national government to punish the individuals responsible for the deportation of other individuals from Bisbee, Arizona, to points in other states was frustrated by the decision in United States *v.* Wheeler.[1] No federal statute specifically forbade the expulsive enterprise, but the indictment was framed on the theory that the defendants had violated the Act of Congress punishing conspiracies to deprive citizens of the United States of rights or privileges secured to them by the Constitution or laws of the United States. Some of the persons expelled were citizens of Arizona whose only federal right to remain unmolested in Arizona was necessarily predicated on the privileges and immunities clause of the Fourteenth Amendment. Others were citizens of other states who might therefore claim protection against discriminatory state action under the privileges and immunities clause of the original Constitution. But both clauses are directed against state action only, and this immunity against state action was held not to be infringed by the acts of private individuals. The deportees, therefore, suffered no interference with any rights or privileges secured to them by the federal Constitution.[2]

law creates at least a part of the cause of action by its own force. Mr. Justice Day answered with a quotation from Marshall that a case arises "under the Constitution or a law of the United States whenever its correct decision depends upon a construction of either."

[1] (1921) 254 U. S. 281, 41 Sup. Ct. 133.

[2] Undoubtedly Congress might under the commerce clause forbid forcible abduction across state lines, as it may punish voluntary journeys across state lines for immoral purposes.

Though no major issue as to the extent of the commerce power of Congress came before the court at the last term, three minor cases on the subject may be worth mentioning. In Economy Light and Power Co. *v.* United States (1921) 255 U. S. —, 41 Sup. Ct. 409, it was declared that "a river having actual navigable capacity in its natural state and capable of carrying commerce among the states is within the power of Congress to preserve for purposes of future transportation, even though it be not at present used for such commerce, and be incapable of use according to present methods, either by reason of changed conditions or because of artificial obstructions."

Philadelphia & Reading Ry. Co. *v.* Di Donato (1921) 256 U. S. —, 41 Sup. Ct. 516, held that a flagman whose duties require him to flag all trains, interstate and intra-state, is engaged in interstate commerce so as to come within the federal Employers' Liability Law without regard to the movement of the particular train he is flagging at the time of his injury. His service concerns "the safety of both com-

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The question whether a federal tax is direct or indirect within the meaning of the constitutional clause requiring direct taxes to be apportioned among the states according to population seems to belong more appropriately to the law of the federal system than to the law of private rights and immunities, since the restriction as to direct taxes was imposed in the interest of the states rather than of individuals. Contentions that certain applications of the federal income tax and the federal estates tax resulted in imposing a direct tax without the required apportionment were rejected by the court during the past year. The federal estates tax was alleged to be a direct tax because imposed directly on the estate and therefore unescapable and not, like a legacy tax, on the privilege of receiving the legacy and therefore avoidable. This astute distinction was brushed aside in New York Trust Co. *v.* Eisner[1] "on the practical and historical ground that this kind of a tax always has been regarded as the antithesis of a direct tax; 'has ever been treated as a duty or excise, because of the particular occasion which gives rise to its levy'." Mr. Justice Holmes concluded curtly: "Upon this point a page of history is worth a volume of logic."

The present theory of the court as to the Sixteenth Amendment is that it gave Congress no new power to tax but merely removed the requirement of apportionment from such federal income taxes as had previously been held to be direct taxes. Now the court does not inquire whether a tax on income is a direct tax by reason of the source of the income in question, since federal taxes on income may be levied without apportionment whether the income is from property or from labor or

merces and to separate his duties by moments of time or particular incidents of its exertion would be to destroy its unity and commit it to confusing controversies."

Williams *v.* United States (1921) 255 U. S. —, 41 Sup. Ct. 365, re-affirmed the constitutionality of the Reed Amendment which prohibited the transportation of intoxicating liquor into any state whose laws prohibit its manufacture or sale for beverage purposes. The ingenuity of counsel raised the new objection that the diversity in state laws made the act give a preference to ports of one state over those of another, but the court replied that this had been met by the prior rulings that differences due to divergent state laws do not create any want of uniformity in the federal statute which makes those laws the test of its application.

[1] (1921) 256 U. S. —, 41 Sup. Ct. 506.

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business. But in order to enjoy this dispensation the proceeds from property must be really income. In several cases[1] decided during the past term it was held that profit from the sale of capital is income. This had been held previously in interpreting the federal corporation tax of 1909; and a definition of income which included profit from capital had been put forth in the Stock Dividend Decision[2] as an interpretation of the term "income" in the Sixteenth Amendment. On the basis of these earlier pronouncements Mr. Justice Clarke summarily disposed of refined legal and economic arguments that profit from capital is really still capital and not income. The result satisfied all the members of the court, but Justices Holmes and Brandeis announced that "because of prior decisions" they "concur only in the judgment."[3]

[1] Merchants' Loan & Trust Co. *v.* Smietanka (1921) 255 U. S. —, 41 Sup. Ct. 386; Eldorado Coal & Mining Co. *v.* Mager (1921) 255 U. S. —, 41 Sup. Ct. 390; Goodrich *v.* Edwards (1921) 255 U. S. —, 41 Sup. Ct. 390; Walsh *v.* Brewster (1921) 255 U. S. —, 41 Sup. Ct. 392.

[2] Eisner *v.* Macomber (1921) 252 U. S. 189, 40 Sup. Ct. 189; POLITICAL SCIENCE QUARTERLY, vol. 35, p. 427.

[3] In addition to deciding the constitutional issue the court construed the federal statutes so as to make them tax as income only the amount by which the selling-price of property exceeds its original cost. The treasury had been insisting that the government might take toll from the excess of the selling-price over the value of the property in 1913 when the Sixteenth Amendment became effective, but the Solicitor General conceded in argument that this interpretation of the statute was erroneous. As the statutes are now interpreted, there is income only to the extent of the actual profit on each sale, and such profit is taxed only to the extent that it represents gain accrued since 1913. Both of these results are attributed to the presumed intention of Congress, so that we have no decision as yet that the Constitution would not permit Congress to include in taxable income the gain accrued before the Seventeenth Amendment and realized by sale thereafter or the realized gain that had accrued since the Seventeenth Amendment without subtracting the unrealized loss that had accrued prior. Since, however, the statutory interpretations were reached without very clear warrant in the language used by Congress, it is not unnatural to infer that they were influenced by a care for constitutional propriety. Congress has acquiesced in the immunity accorded to gain accrued prior to the Seventeenth Amendment. It has now confined the tax on corporate dividends to such part thereof as represents gain to the corporation since the Seventeenth Amendment, although previously it had with the court's approval treated corporate dividends as taxable income to their full value without regard to the time when the corporation earned the profit from which they came. Doubtless Congress will also follow the court in exempting mere paper gains from 1913 when the value of the property in 1913 was less than its original cost.

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B. *Restrictions on the States because of Powers enjoyed by the United States*

Such few questions as arose with regard to state police measures objected to as regulations of interstate commerce were relatively trivial.[1] More important issues were raised by exercises of the state taxing power alleged to be in conflict with the commerce clause. These issues are confused with complaints that the taxes offend the due-process and equal-protection clauses of the Fourteenth Amendment so that separation is sometimes difficult. Bowman *v.* Continental Oil Co.,[2] however, raised a clean-cut commerce issue. This involved the same tax which had been considered by the court a year before in a case sent back to the court below for the ascertainment of further facts. Upon the rehearing it appeared that of the oil of extra-state origin sold by the defendants in New Mexico only about five per cent was still in the original packages. One of the taxes objected to was a license tax on the distribution of gasoline

[1] In Western Union Telegraph Co. *v.* Speight (1920) 254 U. S. 17, 41 Sup. Ct. 11, state law was held not applicable to a telegraph message sent between points in the same state over lines which were partly in another state. Mr. Justice Holmes declared that the mode of transmission actually employed determined the character of the message and that even if the routing was unreasonable and wrong "the liability, if it existed, would not be a liability for an intra-state transaction that never took place but for the unwarranted conduct and the resulting loss."

International Bridge Co. *v.* New York (1920) 254 U. S. 126, 40 Sup. Ct. 56, required an international bridge company to obey a duty imposed by a state charter to maintain a roadway for vehicles and a pathway for pedestrians. Such bridges belong to the subject matters of commerce which permit of diversity of regulation over which the state may act until Congress indicates its desire that state law shall not prevail.

Even when the subject matter requires uniformity of regulation so that the power of commerce is exclusive the states are allowed to enforce laws which are thought to have an effect so trivial as not to amount to regulation. Under this doctrine the states are allowed to impose minor requirements on interstate trains for the securing of a sufficiently important local interest. But in St. Louis & Santa Fe Ry. Co. *v.* Missouri (1921) 254 U. S. 535, 41 Sup. Ct. 192, an attempt by a state commission to compel interstate trains to make a detour to stop at a city of four thousand inhabitants was held an undue interference with interstate commerce where compliance would add ten miles to the route of the through trains and the maintainence of sixteen additional miles of track and where the reasonable requirements of the city were met by seven daily local trains each way.

[2] (1921) 256 U. S. —, 41 Sup. Ct. 606.

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which required a flat fee of $50 for each place of distribution. Under the statute it was unlawful to carry on any business without paying the fee. Since the interstate and the local business were necessarily conducted by the same instrumentalities, according to the assumption of the court, and the tax itself was by nature indivisible, the demand was held invalid as a burden on interstate commerce. Another tax of two cents on each gallon sold was held divisible and properly imposed on the sales not in the original packages but unconstitutional as to the other five per cent of sales. Oil used by the defendant in its own business was held subject to an excise measured by the gallon, since such oil had passed beyond interstate commerce. The decision makes clear that a tax on sales in any and every manner is inapplicable to the first sale within the state of goods in the original package in which they have come from another state, but the opinion does nothing to tell us why such sales are within the protection of the commerce clause when that protection is not a shield against state taxes on peddling goods still in the original package or on such goods as part of the general mass of property within the state.

A little light on this difference may possibly be thrown by an expression in the opinion in Bethlehem Motors Corporation *v.* Flint.[1] The statute there declared unconstitutional imposed a tax of $500 on persons or corporations engaged in the business of selling automobiles within the state. Where the manufacturer had at least three-fourths of his assets invested in property within the state or in securities issued by the state or its subdivisions, the tax was only $100. This discrimination was readily seen to be one from which extra-state manufacturers would suffer, and it was declared to be a denial of equal protection to persons within the jurisdiction and an invalid regulation of interstate commerce if the complainant was not a person within the jurisdiction. The simple ground on which the case might easily have been decided is that the tax discriminated against sales of automobiles of extra-state origin and hence was a regulation of interstate commerce whether the cars were sold

[1] (1921) 256 U. S. —, 41 Sup. Ct. 571.

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in their original packages or not. This undoubtedly was one of the grounds of the decision, but the case seems to go further than this. For Mr. Justice McKenna, after saying that it was doubtful whether "the automobiles had passed out of interstate commerce and had reached repose in the state, and blend [*sic*] with the other things of the state", continued:

> But comment is not necessary. It is the finding of the court that the automobiles were in the hands of the consigning corporations, and, therefore, a tax against them was practically a tax on their importation into the state. It is not necessary to say that it would be useless to send them to the state if their sale could be prevented by a prohibitive tax or one so discriminating that it would prevent competition with the products of the state.

Here is fear of a prohibitive tax quite distinct from fear of one that discriminates against interstate commerce. Special taxes on the sale of particular selected articles may impede the introduction of those articles into the state though their inclusion in the general property tax would not. This may explain why the Supreme Court allows a tax on the property still in the original package but forbids a tax on its sale. It would justify a distinction between special taxes on the sale of particular articles and a general tax on peddlers. It does not, however, clear away the confusion created by two decisions of the preceding term,[1] since the tax sustained on the extra-state dealer who peddled his soft drinks in their native bottles and cases was not a general tax on all peddling but one of several special taxes on the peddling of specifically enumerated articles. The only distinction left us is that between taxes on sales in any and every way and taxes on sales in some peculiar way as by auctioneers or peddlers. The former may possibly prove a more serious impediment to interstate commerce than the latter. Moreover the court is justified in looking askance at all special excises on the sale of selected articles where the amount of the demand is not varied according to the profitability of the business done. Some time in the future the Supreme Court may see fit to

[1] See POLITICAL SCIENCE QUARTERLY, vol. 35, pp. 424–425.

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state clearly why it draws the line where it does instead of leaving us to surmise as to possible pragmatic justifications for its fairly fine distinctions.

Several years ago it was established that a general state-wide tax on net income may levy tribute on the net income derived from interstate commerce by a domestic corporation. Next the same sort of a tax was applied to a non-resident individual. Last year in Underwood Typewriter Co. *v.* Chamberlain[1] the same grace was granted to a net-income tax confined to corporations, without reference to any possible distinction between a tax on all and a tax on less than all. The unconsoled complainant was a foreign corporation. It objected also that Connecticut had assessed more of its income than could rightly be regarded as the fruit of Connecticut business, but the court held that it had failed to prove its case.

Another failure to adduce sufficient facts to bring into operation the constitutional principle relied on appears in Postal Telegraph-Cable Co. *v.* Fremont[2] which sustained a specific tax of $60 on the local, non-federal business of a telegraph company, although it was conceded that this business had for the past two years been run at a loss. The court recognized that specific excises on local business must be fixed with due relation to interstate business, but it found the particular tax modest in amount and said that mere proof of loss on local business for a short period with no showing as to the volume of such business was not enough to convict a $60 tax of sin against interstate commerce. Though the principle here relied on by the telegraph company has several times been looked at with approval, no case has thus far been held to come within it.

Though the approved doctrine seems to be that the states cannot tax interstate commerce, the fact is that they can if only they go about it in the right way. In St. Louis & E. St. L. Electric Ry. Co. *v.* Missouri[3] an electric railroad operating wholly on an interstate bridge complained of an assessment

[1] (1920) 254 U. S. 113, 41 Sup. Ct. 45.

[2] (1921) 255 U. S. —, 41 Sup. Ct. 279.

[3] (1921) 256 U. S.—, 41 Sup. Ct. 488.

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which was concededly $173,000 in excess of the value of its tangible property. It contended that the value thus reached consisted solely of its franchise to do interstate commerce, but the court informed it that a good part came from the private contracts by which it secured traffic from connecting lines. It added that "even the franchise of a corporation, if not derived from the United States, although that franchise is the business of interstate commerce, is subject to state taxation as part of its property." Obviously it is impossible to tell how much of the company's earnings come from the chance to serve customers and how much from the readiness of customers to be served. Neither one alone is worth anything. The so-called intangible property here assessed was substantially a capitalization of earning power and the tax is in effect on interstate commerce when its amount is determined by the fruits of such commerce.

One of the objections advanced against a Minnesota statute penalizing advocacy that men should not enlist in the armed forces of the United States or should not assist the United States in war, was that Congress had already dealt with the matter. In Gilbert *v.* Minnesota[1] seven members of the court found this objection not tenable. The reporter states that "the Chief Justice, being of the opinion that the subject-matter is within the exclusive legislative power of Congress, when exercised, and that the action of Congress has occupied the whole field, therefore dissents." Mr. Justice Brandeis was more elaborate in pointing out that the national government might well have a policy with regard to free speech with which this state statute would be inconsistent. He noted that the Minnesota act went beyond the federal Espionage law and forbade discussion which the federal government intentionally left unrestrained. He insisted further that, since responsibility for the conduct of war is vested exclusively in Congress, state legislation on the subject is necessarily void unless authorized by Congress. But the majority, through Mr. Justice McKenna, answered that this country is one composed of many, that in time of war the states

[1] (1920) 254 U. S. 325, 41 Sup. Ct. 125.

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and the United States are in the same boat, and that the states may coöperate with the United States to keep the boat from rocking. These are not his exact words but they express his meaning. On the question of actual conflict between the state and federal law he said nothing, contenting himself with refuting the contention that "all power of legislation regarding the subject-matter contained in the statute is conferred upon Congress and withheld from the states." Mr. Justice Holmes confined his concurrence to the result.

In several cases state taxation of railroads under federal control was held to be expressly sanctioned by Congress, so that no constitutional issue arose. Congress had, however, forbidden state taxation of the bonds issued by the federal land banks, and this restriction was sustained in Smith *v.* Kansas City Title & Trust Co.[1] The opinion indicates that state taxation would be improper without any prohibition by Congress and that these banks like the national banks are federal instrumentalities which the state may tax only as permitted by Congress.

In interpreting the Act of Congress which permits the state to tax national bank stock but not at a greater rate than that assessed on other moneyed capital in the hands of individual citizens, Merchants' National Bank *v.* Richmond[2] held that "other moneyed capital" is broader than capital invested in state banks and includes all capital loaned at interest, since such capital comes in competition with national banks. The decision raises doubts as to the taxation of national bank stock in all states which classify different kinds of property for different rates of levy. It suggests the question whether states which substitute income taxes for taxes on intangibles may tax the income from national bank stock. Such a tax is not within the language of the Act of Congress permitting a tax on the shares in the hands of their holders, but it is not impossible for the court to hold that a tax on the income is in substance a tax on the source thereof.

Exercises of state police power are also subject to the limita-

[1] (1921) 255 U. S. —, 41 Sup. Ct. 243.

[2] (1921) 256 U. S. —, 41 Sup. Ct. 619.

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tion that they must not interfere with instrumentalities of the national government. In Minnesota *v.* Martinson [1] a certain Mr. Whipple, who had been convicted of violating a state statute restricting the sale of certain drugs, contended that the state statute interfered with the enforcement of the federal statute imposing a license tax on persons selling such drugs and specifying certain records to be kept by those from whom the tax is due. The contention was held unwarranted because the court could not find the interference alleged.

In Johnson *v.* Maryland,[2] however, a state police statute was found to interfere with the conduct of the post office by the national government. A general state law requiring licenses for drivers of automobiles was held inapplicable to employees of the post-office department driving government motor trucks carrying United States mail. Mr. Justice Holmes conceded that such drivers might possibly be subject to state regulation in such minor matters as the mode of turning at the corners of streets, but of the law before him he said:

> It seems to us that the immunity of the instruments of the United States from state control in the performance of their duties extends to a requirement that they desist from performance until they satisfy a state officer upon examination that they are competent for a necessary part of them and pay a fee for permission to be so. Such a requirement does not merely touch the Government servants remotely by a general rule of conduct; it lays hold of them in their specific attempt to obey orders and requires qualifications in addition to those that the Government has pronounced sufficient. It is the duty of the Department to employ persons competent for their work and that duty it must be presumed has been performed.

The opinion makes us curious whether the court will allow state and municipal speed laws to apply to trucks carrying United States mail. Each case of this kind involves a balancing of the interest of the state against that of the United States. When the court finds the local interest predominant it can readily say that the state law affects the national government only indirectly

[1] (1921) 256 U. S. —, 41 Sup. Ct. 425.

[2] (1920) 254 U. S. 51, 41 Sup. Ct. 16.

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or incidentally. Mr. Justice Holmes indicates that state police power will be allowed more latitude than state taxing power, but he makes clear that the states may not wield as great police control over the instrumentalities of the national government as over interstate commerce. What is held to affect commerce only indirectly may be adjudged to affect a federal instrumentality directly. Constitutional principles in all their majesty still have great play in their joints.

II. Government and the Individual

A. Restrictions on National Power

Several of the cases already reviewed for their bearing on the scope of national power deal also with restrictions on national power in behalf of individual liberty. The food control act was declared unconstitutional because its proscription of "any unjust or unreasonable rate" and of "excessive prices" was so vague as to fail to inform the accused "of the nature and cause of the accusation" as required by the Sixth Amendment.[1] The absence of a standard in a criminal statute was held also to deny due process of law and to be an unconstitutional delegation of legislative authority to the judiciary. The constitutional restrictions thus violated were held to be applicable to the war power, so that the question whether the statute was within the scope of the war power was not considered.

The two cases[2] sustaining seizures by the alien property custodian affirmed that citizens claiming the property seized were not denied due process of law because the question of enemy ownership could not be determined judicially prior to the seizure. It was enough that they might bring suit later to try the issue of ownership.

The excess-profits tax was objected to on the ground that it was so glaringly unequal as to produce baseless and arbitrary discriminations and so offend against the due-process clause of the Fifth Amendment. The statute imposes a special progressive tax on corporate income in excess of certain percentages of

[1] Cases cited in note 2, page 469, *supra*.

[2] Note 1, page 470, *supra*.

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the invested capital. This was construed to mean the value of the capital at the time it was put into the enterprise and not its enhanced value at the time the income was derived. This construction, it was held in La Belle Iron Works *v.* United States,[1] did not produce arbitrary discriminations. All are treated alike so far as they are similarly circumstanced. It is reasonable to take original value without allowing for appreciation, since the former is certain and the latter may be made certain only by a sale which withdraws the property from the enterprise. The opinion of Mr. Justice Pitney leaves us in doubt as to the relation between the Fifth Amendment and the taxing powers of Congress. In several earlier opinions Chief Justice White had declared that the Fifth Amendment does not limit the federal taxing power. He recognized, however, that a tax might be so arbitrary as to amount to confiscation and so be not a tax but an exaction beyond any power conferred. Mr. Justice Pitney seems to leave this position intact when he says that "we deal with the present criticism only for the purpose of refuting the contention, strongly urged, that the tax is so wholly arbitrary as to amount to confiscation." Yet he does not say that the Fifth Amendment does not limit the taxing powers of Congress. He gives little hope of relief from discriminatory federal taxes when he points out that the Fifth Amendment has no equal-protection clause and declares that "of course it will be understood that Congress has very ample authority to adjust its income taxes according to its discretion, within the bounds of geographical uniformity." Any doctrine that the Fifth Amendment has no application to federal taxing power is wholly indefensible. It is, however, a tenable position that the requirement of due process in federal taxation condemns only those vices which Chief Justice White would have regarded as so flagrant as to deprive the exaction of the character of a tax. It seems certain that no federal tax will be held wanting in due process of law unless it is very, very bad. Peccadillos which would bring a state tax into conflict with the Fourteenth Amendment will not be enough to condemn a federal tax under the Fifth Amendment.

[1] (1921) 256 U. S. —, 41 Sup. Ct. 528.

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That the Fifth Amendment limits Congress in devising procedure to collect federal taxes is the almost inevitable inference from Goldsmith-Grant Co. *v.* United States,[1] which sustained the confiscation of an automobile transporting liquor in fraud of the revenue laws, though the title of the car was in an unpaid conditional vendor who had no part whatever in its sinful frolic. Mr. Justice McKenna recites the laws of Moses and the law of deodands with their animistic ascriptions of responsibility to inanimate objects, and adds the practical consideration that the importance to the government of this method of enforcement justifies the hardship on one who, though innocent, had nevertheless turned over his car to the bad man who used it for evil ends. The opinion expressly reserves the questions whether errant property stolen from its owner or such valuable property as Pullman cars and ocean greyhounds may constitutionally be subject to the fangs of this drastic statute. The plain implication is that there is a limit to such confiscation and that the limit is set by the Fifth Amendment.

Mr. Burleson's denial of second-class mailing privileges to Mr. Victor Berger's newspaper was sustained in Milwaukee Social Democratic Publishing Co. *v.* Burleson.[2] Due process of law was held to be satisfied by the hearing given by the Post Office Department and the review given by the courts on the question whether there was substantial evidence to support the order. Past sins were regarded as sufficient justification for denying second-class rates to future issues until a new application is made and approved. Mr. Justice Holmes dissented on the ground that the Postmaster-General was without statutory authority for his order. The answer of the majority to this objection shows almost miraculous power to read between the lines to find what the lines neglect to say. Mr. Justice Brandeis added constitutional "doubts" to his dissent, and urged that the court should avoid a construction of the statute which raised these doubts. Among the more fanciful of the doubts is the apprehension that the power sanctioned imposes excessive fines

[1] (1921) 254 U. S. 505, 41 Sup. Ct. 189.

[2] (1921) 255 U. S. —, 41 Sup. Ct. 352.

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and cruel and unusual punishments and denies trial by jury in criminal prosecutions. This is predicated on the characterization of the Postmaster-General's order as a punitive and not a preventive measure. More substantial are the suggestions that the order denies due process of law and abridges the freedom of the press. The decision of the majority involves the holding that none of these doubts is well founded. The majority does not specifically take the ground that carriage at second-class rates is a privilege which the government may withhold as arbitrarily as it pleases, nor does it controvert Mr. Justice Brandeis's contention, reinforced by citations of Mr. Chafee and Mr. Laski, that "a government furnishing public service must be judged by the ordinary standards of public callings." Mr. Justice Clarke, who writes the majority opinion, devotes more attention to denunciation of the offending newspaper than to consideration of the fundamental and far-reaching constitutional issues raised by Mr. Justice Brandeis, and we therefore know less of the court's ideas of constitutional law than of its feelings towards the *Milwaukee Leader*.

Genuine instances of offenses against constitutional limitations on the national government in favor of persons charged with crime were found in several cases. The indefiniteness of the Lever Act regulating the prices of necessaries has already been mentioned. Arndstein *v.* McCarthy[1] holds that the constitutional protection against self-incrimination is not lost or waived by the voluntary filing of bankruptcy schedules where the schedules alone do not furnish clear proof of guilt or amount to an admission of crime. The bankrupt may also refuse to answer questions in bankruptcy proceedings though his testimony could not later be used against him in criminal proceedings. Only when there is immunity from punishment can a person be required to give testimony that tends to show his violation of a penal statute.

A combination of the Fourth Amendment's prohibition of unreasonable searches and seizures and the Fifth Amendment's protection against self-incrimination was involved in three cases.

[1] (1920) 254 U. S. 71, 41 Sup. Ct. 26.

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Gouled *v.* United States[1] holds that a search and seizure of papers, even though under a warrant, is unreasonable when its sole purpose is to secure evidence against their owner and possessor. So, too, stealthy purloining of papers by an officer is an unreasonable search and seizure. Amos *v.* United States[2] adds a condemnation of seizure without a warrant when the only acquiescence of the victim is under circumstances which amount to coercion. Both cases apply also the now established principle that the use of evidence obtained in violation of the prohibition against unreasonable seizures is a violation of the prohibition against self-incrimination. They also modify somewhat the requirement previously assumed to obtain, that the introduction of the evidence can be objected to only if a petition for the return of the papers has been filed before trial. The petition in the Amos Case was filed after the jury had been impaneled and the trial technically begun. This was held sufficient on the authority of the Gouled Case although the Gouled Case did not go so far. It required no preliminary petition for return when the accused had no chance to know that his papers had been wrongfully taken from him until the government offered them in evidence. As to the other papers in the case a petition for their return had been filed before trial. This petition had been denied. The court held that nevertheless if the introduction of the papers in evidence was objected to, the trial judge must again consider independently whether the prior seizure was lawful. For failure to do this, the conviction was reversed. This, however, is not a holding that a petition after the trial has begun is as effective as a petition before trial. The Amos Case, therefore, made the law that it professed to find in the Gouled Case.

Burdeau *v.* McDowell[3] presented an instance of papers stolen from the accused by a thief and by him turned over to the government without any other complicity of the government in the undertaking than that of accessory after the fact, as receiver of

[1] (1921) 255 U. S. —, 41 Sup. Ct. 261.

[2] (1921) 255 U. S. —, 41 Sup. Ct. 266.

[3] (1921) 256 U. S. —, 41 Sup. Ct. 574.

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stolen goods. A petition by the accused for the return of the papers was held to be rightfully denied on the ground that the prohibition against unreasonable seizures is a limitation only on the government. The government, it was said, might have subpoenaed the papers from the thief. Therefore it may keep them when turned over to it voluntarily by the thief. Justices Brandeis and Holmes dissented, less on constitutional grounds than on canons of proper procedure.

Two cases sustain federal action applicable only to the District of Columbia. Hollis *v.* Kutz[1] held that private consumers of gas cannot complain because the price to them is greater than that charged the government or greater than it would be if the rates to the government were raised. The opinion implies that the rates charged the government were fixed in the franchise of the company and asserts the complete power of the government to impose such conditions as it pleases in the grant of a franchise which it might withhold. Mr. Justice Holmes adds that even if the price charged the government might lawfully be raised, the private consumers are not entitled to equality with the United States. For all that appears in the opinion, the fact that the regulation was by the United States rather than by a state is of no significance. This is true also of Block *v.* Hirsch,[2] which sustained the Act of Congress regulating rents in the District of Columbia, and this case will therefore be treated in the succeeding section in connection with a decision sustaining a similar state statute.

B. Restrictions on State Powers

By a five-to-four vote, legislation restricting landlords in ousting tenants or in raising their rents was sustained in Block v. Hirsch[3] and Marcus Brown Holding Co. *v.* Feldman[4] as against the complaints that it took property without due process of law, took private property for public use without just com-

[1] (1921) 255 U. S. —, 41 Sup. Ct. 371.

[2] (1921) 256 U. S. —, 41 Sup. Ct. 458.

[3] Note 2, *supra*.

[4] (1921) 256 U. S. —, 41 Sup. Ct. 465.

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pensation and impaired the obligation of contracts. Neither case involved a dispute as to the precise amount of rent to be charged, so that the question of just compensation did not enter. If, however, the taking was for a private rather than for a public use, it was concededly unjustified. The statutes were sustained as proper police measures for an emergency and not an exercise of eminent domain. Contracts are made subject to modification by exercises of the police power, under which, as Mr. Justice Holmes pointed out, "property rights may be cut down, and to that extent, taken without pay." The basis of the decision of the majority is that circumstances had clothed the letting of buildings "with a public interest", and that rate-regulation is one of the first forms in which a conceded public interest is asserted. This substitutes the term "clothed with a public interest" for the previously established though amorphous test of whether the property is "devoted to a public use." Mr. Justice Holmes adduces cases recognizing insurance, irrigation and mining as enterprises clothed with a public interest as illustrations that "the use by the public generally of each specific thing affected cannot be made the test of public interest." Regulation of rents is treated as somewhat analogous to restrictions on the height of buildings and on the size and location of billboards and to requirements that watersheds be kept clear and that safe pillars be maintained in coal mines. Such approved exercises of the police power show that the owner's use of his land and buildings may be restricted. The only question is whether the present restriction goes too far. It does not, says Mr. Justice Holmes, and Justices Day, Pitney, Brandeis and Clarke agree with him. What would go too far is not clearly indicated, but it is conceded that a line would be drawn somewhere. The decision does not put dwellings in the general class of public utilities where the duty to serve all without discrimination must be observed. It holds merely that in a temporary emergency rents may be reasonably restricted and that tenants already in occupancy may remain upon paying reasonable rents.

The dissenting opinion criticizes the majority opinion for not telling definitely where it would draw the line; but for lack of

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definiteness no judicial opinion in a long time has surpassed the vehement oratory of Mr. Justice McKenna. He inquires rhetorically whether conditions have come to the world "that are not amenable to passing palliatives, and that Socialism, or some form of Socialism, is the only permanent corrective or accommodation," whether the Constitution has "become an anachronism" and is "to become 'an archeological relic'." He asserts that constitutional limitations are "as absolute as axioms", that emergencies and the limited duration of statutes cannot justify measures otherwise unconstitutional, and he warns us that it is safer and saner "to regard the declaration of the Constitution as paramount and not to weaken it by refined dialectics or bend it to some impulse or emergency 'because of some accident of immediate overwhelming interest which appeals to the feelings and distorts the judgment'." Of some of the approved exercises of police power brought forward by Mr. Justice Holmes as illustrations of what may be done, Mr. Justice McKenna says that "it is difficult to handle the cases or the assertion of what they decide"; and he adds that "an opposing denial is only available." Other precedents are dismissed because they sanction prohibitions on the noxious use of property, not requirements that the owner of property must allow others to occupy it at a price fixed by public authority. The dissenting opinion insists that if the police power may allow a tenant to remain after he has agreed to quit and may fix a reasonable rent and forbid the landlord to charge what he pleases, it may do everything under the sun. This terrifying conclusion, however, is based upon the assumption that the exercise of power declared by the majority to be permitted by the Constitution is in fact forbidden by it. From this it follows that if state power is superior to one limitation of the Constitution, it is superior to all. Mr. Justice McKenna would of course be the first to refute any contention of counsel in future litigation that the rent cases sanction all that he now in dissent insists that they sanction. He would not convert his parade of imaginary horribles into a line of authoritative precedents in favor of the constitutionality of all sorts of legislative monstrosities. A calm view assures us that the rent cases decide much less than the minority oratory says they decide.

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For an excellent example of an approach to constitutional issues that is temperate, rational, relative and not absolute, we have only to appeal from Mr. Justice McKenna in the Rent Cases to Mr. Justice McKenna in Walls *v.* Midland Carbon Co.[1] sustaining a statute of Wyoming which as applied to the complainant before the court prohibited the use of natural gas for the manufacture of carbon black and permitted only its use for heat for manufacturing and domestic purposes. The facts were greatly in dispute but the court seemed to be convinced that complainant's use of the gas would exhaust it in short order while there was still enough to heat factories and homes in nearby towns for ten years. While use for carbon black yielded greater financial returns than use for heat, the former involved great waste which the latter did not. The essence of the decision is that "a state may consider the relation of rights and accommodate their co-existence, and, in the interest of the community, limit one that others may be enjoyed." Conceding that the police power extends to regulation of the subject matter, "a comparison of the value of the industries and a judgment upon them as affecting the state, was for it to make." The fact that the statute applied only to wells within ten miles of an incorporated town or industrial plant was held not to deprive the law of its character as a conservation measure nor to make it deny to persons within the restricted zone the equal protection of the laws. The complaint that the enforcement of the statute impaired the obligation of contracts was apparently not deemed of sufficient importance to require specific refutation even by Mr. Justice McKenna, who relied so strongly on the interference with contracts wrought by the rent regulation laws. In the gas case the Chief Justice and Justices Van Devanter and McReynolds dissented, but without opinion.

Workmen's compensation legislation came before the court in two cases to have minor complaints dismissed as minor. Lower Vein Coal Co. *v.* Industrial Board of Indiana[2] found it proper to make a compensation statute compulsory for coal

[1] (1921) 254 U. S. 300, 41 Sup. Ct. 118.

[2] (1921) 255 U. S. —, 41 Sup. Ct. 253.

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mines though elective for other enterprises except railroads, which were excluded entirely. Mr. Justice McKenna affirmed that coal mines are peculiar and may be so regarded by the state even though there may be other industries equally dangerous. The fact that all employees of coal mines are within the compulsory law even though many of them are engaged in non-hazardous tasks is not objectionable, since it would be confusing to make distinctions on the basis of the particular job of each particular employee. The exclusion of railroads received no consideration. It is clearly justified by the fact that so many injuries to railway employees come within the federal Employers' Liability Law and are necessarily excluded from state compensation laws. Thornton *v.* Duffy[1] reaffirmed the power of the state to compel employees to insure in a state fund. Mr. Thornton thought that this requirement impaired the obligation of his existing contract with a private insurance company. While the court found that the permission given by an earlier statute to take out private insurance was declared in the statute to be revocable, and the case technically must be confined to such a state of facts, Mr. Justice McKenna declared more broadly that "an exercise of public policy cannot be resisted because of conduct or contracts done or made upon the faith of former exercises of it upon the ground that its later exercises deprive of property or invalidate those contracts."

It has long been established that, where public authorities granting franchises have power to contract as to the rates which recipients of franchises shall charge, these rates may continue to be enforced even after they become confiscatory. This principle was reaffirmed in two decisions handed down at the last term, although in both cases the court found that no contracts existed and that therefore it was a denial of due process to require the company to charge less than enough to yield it a fair return on the fair value of its property. In Southern Iowa Electric Co. *v.* Chariton,[2] state decisions were adduced to show that Iowa municipalities had never been granted power to con-

[1] (1920) 254 U. S. 361, 41 Sup. Ct. 137.

[2] (1921) 255 U. S. —, 41 Sup. Ct. 400.

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tract as to rates. San Antonio *v.* San Antonio Public Service Co.[1] relied on a Texas decision which had held that a prohibition in the state constitution against making irrevocable grants of special privileges deprived a city of power to sanction by contract a five-cent fare as against a later statute requiring school children to be carried at half-fare. Chief Justice White declared that if Texas cities had no power by contract to authorize a certain fare, they had no power to impose a certain fare as a condition of the enjoyment of the franchise. His chain of reasoning is not completely compelling, and a judgment as to the soundness of his conclusion would require more details as to the state statutes than those contained in his opinion. The question of the original power of municipalities to contract with donees of franchises is a question of state law. State decisions on the question are accepted by the United States Supreme Court except when they are regarded as erroneous afterthoughts which really approve of statutes impairing the obligation of a contract under the guise of declaring that no contract existed. These two decisions, therefore, have not the wide scope attributed to them in some newspaper comment. Public utilities are still bound by rates validly fixed by contract. Questions whether contracts have in fact been made or whether cities professing to make them have had valid statutory authority to do so are questions which depend for their answer upon the varying provisions of state statutes and constitutions.

One of the objections urged against the Minnesota espionage law sustained in Gilbert *v.* Minnesota,[2] was that its restraint on freedom of speech violates the due-process clause of the Fourteenth Amendment. The majority, without deciding whether the Fourteenth Amendment restricts the states as the First Amendment restricts the United States, declared that advice not to enlist or not to aid the United States in war is not within any constitutional protection. Mr. Justice Brandeis had "difficulty in believing that the liberty guaranteed" by the Fourteenth Amendment "does not include liberty to teach, either in the

[1] (1921) 256 U. S. —, 41 Sup. Ct. 428.

[2] (1920) 254 U. S. 325, 41 Sup. Ct. 125.

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privacy of the home or publicly, the doctrine of pacifism; so long, at least, as Congress has not declared that the public safety demands its suppression." He insisted more directly that the state had abridged the privilege and immunity of a citizen of the United States to discuss the policies of the United States. But Mr. Justice McKenna found the offending speech "not an advocacy of policies or a censure of actions that a citizen had the right to make", and closed by observing that every word which Mr. Gilbert uttered was false and that "it would be a travesty on the constitutional privilege he invokes to assign him its protection."

Two cases which passed on objections to state taxation as regulations of interstate commerce dealt also with complaints founded on the Fourteenth Amendment. In Underwood Typewriter Co. *v.* Chamberlain,[1] it was contended that the state had applied an inappropriate ratio for determining what part of the complainant's total income was derived from Connecticut, but the court held that the plaintiff had failed to bring forward sufficient facts to establish its case. This involved the holding that the ratio of tangible property in Connecticut to tangible property everywhere is not necessarily invalid. Apparently no contention was advanced that the use of the so-called unit rule was itself objectionable. In assessing property taxes the unit rule has not been pushed beyond situations in which the unity of the property in different states is regarded as a "unity of use and management." It is held also that property in one state which cannot contribute to the value of the property in other states and which has no counterpart in other states must be excluded from the total before a fraction is taken by the taxing state in question. Now that state income taxes seek to take a fraction of the income reported to the United States, questions

[1] (1920) 254 U. S. 113, 41 Sup. Ct. 45. This complaint against assessment of extraterritorial values appears to have been founded only on the Fourteenth Amendment and not on a combination of the due-process and the commerce clauses as in earlier cases. That due process alone forbids sufficiently bad ratios in assessing property by the unit rule is now clear from a paragraph in Mr. Justice Pitney's opinion in the La Belle Iron Works Case, note 1, page 488, *supra*, and an earlier decision of contrary tenor, though not yet explicitly overruled, must now be regarded as definitely abandoned.

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are certain to arise as to whether the total income can be regarded as a unit merely because it all goes to the same pocket. A corporation might have a highly profitable lumber business in several states and a meagerly remunerative vaudeville house in the taxing state and the two businesses be totally unrelated to each other. Is there any excuse for lumping the income from such disparate sources and taking a fraction based on the ratio of the tangible theatre to the tangible lumber and theatre combined? The Supreme Court will naturally be loth to create a situation which will require it to examine the details of the business of every taxpayer. Yet some safeguard against state taxation of extra-territorial values must surely be maintained. It is desirable that each state vest some administrative authority with discretion to modify the application of general rules when necessary to prevent specific abuses. With such an agency the Supreme Court will lean strongly toward accepting its decisions except in cases of palpable and serious error.

The complaint advanced in Bethlehem Motors Corporation *v.* Flynt,[1] was of undue discrimination against corporations with extra-state plants by reason of the fact that those who invested three-fourths of their assets in property in North Carolina or in bonds of the state and its municipalities paid only one-fifth of the license fee demanded of others. This discrimination was declared to be a denial of equal protection of the laws against which the complainant might be relieved if it was a person within the jurisdiction. Whether it was within the jurisdiction was said to depend upon whether it was already doing business within the state or was still outside seeking admission. This omits any requirement that a foreign corporation must acquire a substantial amount of property of a fixed and permanent character in order to become a person within the jurisdiction. In an earlier case in which this possible requirement was fulfilled, sufficient stress was laid on the fact to lead to the inference that the court regarded the fulfilment as essential. It still remains true that foreign corporations concededly within the jurisdiction may be treated differently from domestic corporations provided there is reason for the difference.

[1] (1921) 256 U. S. —, 41 Sup. Ct. 571.

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Other complaints of alleged discrimination in state taxes were ineffective in two cases. Watson *v.* New York[1] sustained higher inheritance taxation on the transfer of property that had escaped taxation in the decedent's lifetime than on the passage of what had previously contributed its mite. Dane *v.* Jackson[2] held it proper for a state to redistribute the proceeds of an income tax in such a way that part of what was collected from residents of certain towns went to other towns to be used for purely local purposes. The court remarked that taxation is necessarily full of inequalities and that the one in question is not bad enough to deny due process of law or the equal protection of the laws.

The reasons adduced in support of these decisions are of little importance as compared with the decisions themselves. Most of the other opinions here reviewed convey the same impression. Not infrequently judicial utterances consist largely of what if contained in a sophomore's oration would be called pretty loose talk. Partly this is due to the fact that the questions to be answered are loose questions. The analogies to be found in the answers to other questions are loose analogies. On the whole what the Supreme Court does is more significant than what it says. Many a decision is a practical compromise between competing, inconsistent desirabilities. Those who seek to find in our constitutional law a clear stream of pure doctrine and undefiled will search in vain. They must face constitutional law as a whole as a decidedly conglomerate lot of specific adjustments. The Constitution is held to permit what Mr. Justice McKenna regards as a part of Socialism. It is held to allow what Mr. Justice Brandeis brands a flagrant infraction of the individual liberty which the Constitution was designed to secure. Such diversities among the official keepers of the covenant make it somewhat difficult for any of the rest of us to insist with confidence that any legislation to which we have a strong aversion is necessarily unconstitutional.

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[1] (1920) 254 U. S. 122, 41 Sup. Ct. 43.

[2] (1921) 256 U. S. —, 41 Sup. Ct. 566.

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MORE LIGHT ON THE PEACE CONFERENCE [1]

WHETHER the modern knight-errant who sallied forth three years ago panoplied with righteousness and in quest of a democratic world-order found his Holy Grail or did but battle against windmills at Paris, has been much debated, especially by those who beheld the Peace Conference from afar through the none too transparent medium of the printed page. After so plausible an outsider as Dr. Dillon, in his *Inside Story of the Peace Conference,* had portrayed Mr. Wilson as floundering in the meshes of cynical secret diplomacy, after an English economist had described him as a slow-witted "old Presbyterian" easily "bamboozled" by the cunning adepts of Old-World *Realpolitik,* what was the American public to think? The two volumes before us do much to resolve popular doubts. Both are genuinely "inside" stories. One is essentially a personal narrative of Mr. Lansing's humiliating experiences as the President's subordinate in Paris. The other is even more illuminating, for it comprises a series of monographs, originally delivered as lectures, by two of the American plenipotentiaries, Colonel House and General Bliss, and by fourteen of the American "experts" who actually had a hand in making the treaty. To be sure, no one tells quite all he knows. If the old tradition that a diplomat is "an honest man sent abroad to lie for his country" is passing away, it still remains a point of honor with diplomats not to tell the whole truth, even to their fellow-countrymen. However, there are enough indiscretions in these two books to give the public more than a little enlightenment.

Especially indiscreet is Mr. Lansing in his endeavor to prove that the President's greatest blunder was failure to recognize the prescient statesmanship of the Secretary of State. What Mr. Lansing really succeeds in proving by this naïve *apologia pro vita sua* is the ignominious futility of his own position at the Peace Conference. The Woodrow Wilson sketched for us by Mr. Lansing is fair-minded and

[1] *The Peace Negotiations, A Personal Narrative.* By ROBERT LANSING. Boston and New York, Houghton Mifflin Company, 1921.—328 pp.

What Really Happened at Paris; The Story of the Peace Conference, 1918-1919, by American Delegates. Edited by EDWARD MANDELL HOUSE and CHARLES SEYMOUR. New York, Charles Scribner's Sons, 1921.—xvi, 528 pp.

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open to advice until 1918 (pp. 12, 24); then, as the "obsession as to a League of Nations" (p. 209) grips his thought, he becomes self-willed, stubborn, "irritated by opposition to his views", unwilling to forgive opponents, and unable to "utilize the brains of other men" (pp. 11, 140, 201, 211, 215). He receives suggestions with a courteous smile and—like Strachey's Queen Victoria—changes the topic of conversation (pp. 22, 87). Toward Mr. Lansing this enigmatic character showed what a more sensitive Secretary of State might have considered to be contemptuous disregard. The preparation of peace data by Col. House's Inquiry betokened lack of confidence in the Department of State, but of that affront the Secretary seems to have been insensible (pp. 17-18). The famous typewritten draft of the Covenant was never shown to Mr. Lansing until January 6, 1919, when it was already in the hands of the official printer (pp. 79-80); neither reply nor even acknowledgment was vouchsafed to his importunate letters and memoranda respecting plans for the League (pp. 59, 119, 130); he knew less of the negotiations regarding the Covenant than did Col. House's office staff (p. 136); he first learned of the Shantung decision through the Chinese Delegation (p. 261)—and yet Mr. Lansing writes "possibly I was oversensitive" (p. 87)! He set the legal advisers of the delegation to work drafting a "skeleton treaty", only to be told by Mr. Wilson that the latter "did not intend to have lawyers drafting the treaty" (pp. 107, 199-200). In confessing this rebuff, Mr. Lansing at least implies that he never even knew of the existence of the "Black Book" prepared for the President by the American experts before the opening of the Peace Conference as an outline of the American program. Why Mr. Lansing did not resign, and why Mr. Wilson retained a Secretary of State in whom he placed so little confidence, can be explained only in terms derogatory to the characters of both.

Apparently Mr. Lansing had expected to head the delegation at Paris (p. 22). At the time of the armistice he urged the President not to go to France; when this advice was politely disregarded, he still opposed the President's personal participation in negotiations (pp. 22-27). Here the estrangement began. It was accentuated by Mr. Lansing's pertinacious opposition to the Wilsonian plan for a League of Nations. Mr. Lansing regarded the clause which later became Article X as utterly vicious in principle; he insisted on the equality of great and small powers; he wished to make judicial arbitration as opposed to "political compromises and diplomatic adjustments" the core of the scheme; he argued against any commit-

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ment to uphold the Covenant by force; and at the end, when all else had failed, he endeavored to shelve the Covenant. In all these objections there was much that was "tainted with legalism", to use the author's words (p. 108). Mr. Lansing persisted in trying to cramp the new world-order into the formulæ of an obsolescent conception of the world as a constellation of absolutely independent, equal and indivisible sovereignties. For example, he repudiated the mandatory scheme as a "novelty", an unwarrantable "departure from the long-accepted idea of the essentials of statehood", explicable only by "lack of knowledge as to the nature of sovereignty" (pp. 83-84, 151-153). That Mr. Wilson dismissed such objections as "mere technicalities" (p. 151) was perhaps indicative less of petulance than of larger vision. Indeed, in more than one respect, Mr. Lansing betrayed his inability to view world-problems except through the astigmatic lenses of a false ideology. To him the primacy of the Great Powers in the League appeared as a denial of "democracy", a reversion to "international autocracy", because he thought of nations as legally equivalent sovereignties rather than as disparate aggregations of human beings. Much nonsense has been written by Mr. Lansing and others on the theme of the equality of nations; stripped of juristic verbiage, equality of nations in a world-parliament would be a "rotten-borough" system, fundamentally antithetical to democracy. For the reviewer it is difficult, and for the President it must have been impossible, to hear with patience Mr. Lansing's truly Metternichean denunciations of "the right of self-determination". The phrase, he declared, would destroy "fixity of national boundaries" and "political stability"; it "is simply loaded with dynamite" (pp. 96-97). Not a comprehension of the significance of national sentiment, but a very vulnerable argument as to legal rights, was Mr. Lansing's reason for opposing so strenuously the transfer of Germany's concessions in Shantung to Japan (ch. xviii). In this connection, by the way, Mr. Lansing states that "some" of the American plenipotentiaries "considered" resigning as a protest against the iniquitous Shantung settlement (p. 264). He also asserts his belief that Japan could not have carried through this bit of "blackmail" had the negotiations been public or had Mr. Wilson been courageous enough to call Japan's bluff (pp. 244-247).

The sensational Bullitt disclosures, Mr. Lansing admits, were not altogether false. The impetuous young journalist, it will be remembered, had quoted the Secretary of State as saying that if the Senate and the American people could really "understand what it lets them

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in for", the treaty would be defeated. Mr. Lansing confesses to have said precisely this in slightly different words, but with the lame conclusion that "anything which was an obstacle to ratification was unfortunate because we ought to have peace as soon as possible" (p. 271). His idea was that a thoroughly bad peace was preferable to none, as he makes clear in a memorandum written at the time of the Bullitt interview (pp. 272-274). Writing copious memoranda in his private diary seems to have been one of the consolatory exercises with which the Second Plenipotentiary of the United States of America occupied his melancholy leisure in Paris.

Mr. Lansing's book is readable, though at times awkward in phraseology. That our former Secretary of State should refer to Austria-Hungary as "the Dual Empire" (p. 224), or should be unable to summarize correctly the famous treaty of 1915 between Italy and the Entente (p. 223), or should be ignorant that "the upper [erroneously meaning "northern"] portion of the Dobrudja" was really a part of Rumania's pre-war possessions (p. 194), is perhaps pardonable. Diplomats have so little time for geography.

What Really Happened at Paris, Col. House and the "experts" are better qualified to tell. This is by far the most informing single volume yet published on the Peace Conference. In comprehensive style it describes the work of that body's multifarious organs and discusses the decisions which were reached.

In these pages we see the other Mr. Wilson. If he was Mr. Hyde to Secretary Lansing, he was Dr. Jekyll to the experts. Professor Seymour testifies, "In contradistinction to Lloyd George and Clemenceau the President made constant use of his experts, and with few exceptions his decisions were based on the facts they furnished" (p. 457). Professor Young describes him as "supremely quick and alert" (p. 296). Dean Haskins warmly defends "the old Presbyterian" against Mr. Keynes's unfair animadversions (p. 449). Professor Johnson affirms that in the Adriatic question he kept "in constant touch with the experts" and acquired a "most astonishing command" of the "details and intricacies" of the problem (p. 459). President Wilson calling three American experts to his residence and telling them Clemenceau had called him a pro-German for his refusal to permit French annexation of the Saar, and asking the experts to help him find a just solution (p. 465), is not Mr. Lansing's Wilson. The gaunt figure bending over a large-scale map of Poland, while Dr. Bowman and Mr. Paton draw the boundaries of Danzig (p. 162), is not the Wilson of Mr. Keynes. Quite as refreshing is

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the novel picture Professor Seymour paints of the Big Four on all fours over a gigantic map, spread on the floor, with experts beside them whispering advice (p. 101). It may be remarked in passing that with these choice vignettes belong Professor Seymour's portrait of the Council of Ten (pp. 93-94) and Dr. Bowman's description of the signing of the Bulgarian treaty (pp. 163-164).

Not unnaturally most of the contributors to this composite volume are predisposed to defend the work of the Conference. They are in a very personal sense special advocates. Thus Dean Haskins, the learned educator and medievalist who ably represented America in the negotiations respecting Germany's western frontier, may be expected to maintain stoutly that a plebiscite in Alsace-Lorraine would have been a wrong to France, and that internationalization of the Saar Basin was fundamentally just (ch. iii). It is difficult, however, to follow the Dean in his contention that the Saar Basin settlement was "a clear application of the principle of self-determination" (p. 64). In discussing the proposed military alliance with France, Dean Haskins emphasizes the fact "that assistance was to be given only in case of an *unprovoked* [his italics] attack" (p. 55); perhaps the distinction between "provoked" and "unprovoked" attacks was clearer in early Norman times than in these degenerate days. Professor Lord and Dr. Bowman tell how Lloyd George insisted that instead of being ceded outright to Poland, Danzig should be made a free port and the Marienwerder district submitted to plebiscite; it was Lloyd George again who first admitted the German demand for a plebiscite in Upper Silesia (pp. 72-80, 160-162). Professor Lord defends Poland against the charge of imperialism by pointing out that the so-called "Curzon line" was intended as a minimum, not a maximum, eastern limit for the new republic (pp. 84-85, 452), and by supporting Poland's claim to Vilna on ethnographic grounds. Of the division of Teschen between Poland and Czechoslovakia he writes, "This judgment of Solomon is a curious monument of the wisdom of diplomats" (p. 83); and truly it was, for the municipal gas-works went to one nation and the electric plant to the other. Professor Seymour frankly recognizes the departures from the rule of nationality in Tyrol and Czechoslovakia, but gives economic reasons for the latter (ch. v). To replace the Hapsburg monarchy as a coördinating agency in the dangerous Balkanized area of east-central Europe, the proposed League of Nations was "a concrete necessity" (p. 111), says Professor Seymour in contradiction of Mr. Lansing's caustic remark that "the League has been made a con-

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venient 'catch-all'" in order to give it "something to do" and "to save it from extinction" (p. 145). Professor Johnson, the topographical expert of the American staff, convincingly justifies the American stand against Italian claims to Fiume and Dalmatia (ch. vi), but does not divulge the "inside story" of President Wilson's historic manifesto on that subject, the manifesto which fell like a bombshell on the public. Quite naturally Professor Johnson gives more attention to strategic geography than do his colleagues, and on the other hand his pen is weaker in dealing with political affairs; he would do well to revise his statement of the attitude of "the great mass of the people" in Italy at the time of their entry into the war (p. 113). Chapter Six, by Dr. Bowman, Chief Territorial Expert, is the most interesting of the lot. He not only covers his topic, "Constantinople and the Balkans", but takes occasion to insert extremely vivid though sometimes irrelevant remarks on "map forgeries" (p. 142), the projected French protectorate over Ukraine (p. 151), Great Britain's shrewd eye for business (pp. 153, 162-163), the drawing of Germany's boundaries by British and American experts in his own office (p. 160), Lloyd George's dramatic veto of the experts' recommendations for Poland (pp. 160-163), and Clemenceau's angry altercation with Wilson over the Left Bank question, in course of which the Tiger called the President a pro-German (p. 465). Dr. Bowman was in a peculiarly advantageous position to observe the hidden intrigues which are still so scantily known. To return to the Balkans with Dr. Bowman, we learn that American protests were overridden after Mr. Wilson's departure from Paris. American protests were least effective of all in the problem of Asiatic Turkey, as Professor Westermann, the American expert on that area, makes it painfully evident; his description of economic imperialism and secret diplomacy triumphant in the Levant is deeply tinged with disappointment (ch. viii).

Of the seven chapters pertaining to economic and general aspects of the peace terms, probably the most edifying is that on the League (ch. xvii) by Mr. David Hunter Miller, the legal partner of Col. House's son-in-law. As legal adviser to the American Peace Commission, Mr. Miller took a very important part in the negotiations regarding the Covenant as well as other matters. That Mr. Miller and Dr. James Brown Scott prepared a draft of a covenant in January, 1919, "by direction of Mr. Lansing" (p. 402) is one of the facts Mr. Lansing conceals in his own story, for what reason one can only conjecture. The draft used as a basis for discussion by the

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Peace Conference's commission on the League was not President Wilson's own handiwork, as it is popularly supposed, but an alloy prepared by Mr. Miller and Mr. Hurst (British legal adviser) from the Wilsonian scheme and its British rival (pp. 404-407). How the above-mentioned international commission modified this Hurst-Miller draft and gave the small powers four seats on the League Council, how France contended in vain for an international military force or at least a joint general staff, how Mr. Wilson sat silent while Lord Robert Cecil vetoed Japan's plea for racial equality, how Col. House served as the silent but sagacious "pilot" of the ark of the Covenant, how Mr. Wilson by a "witching" extempore oration after the witching hour one night carried the Monroe Doctrine amendment—are only a few of the revelations which make this chapter entertaining as well as informing.

Less dramatic in appeal, yet almost if not quite as significant, are Professor Hudson's account of the little-known treaties for the protection of minorities (ch. ix), Mr. Lamont's discussion of reparations (ch. xi), Professor Young's exposition of the economic settlement (xii), Mr. Gompers's self-laudatory panegyric of America's contribution to the labor clauses (xiii). Mr. Lamont tells how Mr. Wilson, exclaiming "I don't give a damn for logic!" (p. 272), decided to concede the claim for pensions, after he had courageously blocked the Anglo-French move to include war costs in the reparations bill. During the reparations negotiations Clemenceau and Lloyd George actually warned the President that they would be turned out of office by irate constituents were the sum of the indemnity to be definitely fixed (p. 264). It may also be worth noting that Mr. Lamont involves himself in apparent self-contradiction when he states that Germany's indisputable liabilities would have exceeded her ability to pay (p. 261), whereas on another page he gives the American estimate of material damage to be repaired as fifteen billion dollars (p. 275) and Germany's ability to pay as thirty billions (p. 276). Moreover, his optimism regarding the reasonable moderation of the indemnity (pp. 286-288) is not quite consonant with Professor Young's blunt statement that Germany cannot meet the payments demanded of her (p. 301). Dr. James Brown Scott's paper on an event that never occurred — "The Trial of the Kaiser" — is of interest chiefly as showing that President Wilson stood "as a rock" against punishment of the Kaiser (pp. 237, 478-479). As a jurist, Dr. Scott defends this stand; he goes so far as to claim that Holland has done the world a service in sheltering the ex-emperor (pp. 245-

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246, 475). Less with William II than with the general militarism of Europe rests the grave responsibility for causing the recent war, believes General Bliss. After an amazingly candid arraignment of militarism as a compelling cause of war and a menace to civilization, this soldierly anti-militarist warns us that if we do not take steps toward disarmament—"then you and your sons and brothers did not fight to destroy an overgrown militarism, but only German militarism. You will have killed one giant only to set up five more in his place" (ch. xvi). Than this there is no more straightforward or more vital message in the entire volume. In a concluding chapter, Col. House frankly admits that the disarmament question was "shunted" by the Peace Conference (p. 433), that secret diplomacy was a mistake (p. 435, *cf.* Professor Day's apology for secrecy, p. 32), that England is possibly too conservative about freedom of the seas (p. 439), and that we have not got such freedom now (p. 440).

From the two books under review several conclusions may be drawn. First, President Wilson was far less unapproachable to his expert advisers than to his Secretary of State, and with good reason. Secondly, it appears to be proved that President Wilson and the American staff were not such ineffective academic utopians as it has seemed "smart" for critics to assert. One can no longer deny either that the Americans accomplished something of value by their manful battle against "secret treaties" and the greedy myopia of European nations, or that, on the other hand, they deliberately consented to compromises discordant with their declared principles. And, finally, it is obvious that the "experts" were not impervious to human emotions. They were scholars hastily and in some cases injudiciously summoned from their books to legislate for an anarchic world. Some were well prepared, some ill, and certainly not all were the foremost American authorities in their respective fields. Yet as a rule they proved themselves more statesmanlike than many professional diplomats. Their advice and their diplomacy stiffened Mr. Wilson's resistance to unjust demands and made the treaty a less obnoxious document than it might else have been. What Mr. Wilson might have achieved had he possessed the faculty for teamwork, had he selected a more representative staff of experts and plenipotentiaries, had he evinced greater moral courage, is one of the melancholy might-have-beens of that tragi-comedy of errors which men call history.

PARKER THOMAS MOON.

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REVIEWS

Recollections of a Foreign Minister (*Memoirs of Alexander Iswolsky*). Translated by CHARLES LOUIS SEEGER. Garden City, N. Y., Doubleday, Page and Company, 1921.—xv, 303 pp.

The main title of this book, which does not appear in the French or English editions, doubtless aims to inspire the reader with the expectation of thrills and revelations concerning pre-war diplomacy, and it is not to be denied that M. Iswolsky was Russian foreign minister from 1906 to 1910. But, owing to his premature death, the work before us is but a fragment, an incomplete first volume of three that had been projected, and except for an excellent chapter on the Treaty of Bjorkoe—for which M. Iswolsky was in no way responsible—it contains very little about international politics. This is the more unfortunate because the Russian statesman is regarded, in Germany, along with the late King of England and the late President of the French Republic, as one of the chief makers of the Great War. A definitive judgment upon the formation of the Triple Entente and the Bosnian crisis will be much more difficult in the absence of any considered statement from one of the principal actors; as the translator remarks, "the consequent loss to history is difficult to estimate".

Here and there, however, a glimpse is afforded of the author's conception of Russia's proper foreign policy. As a former minister to Japan and an opponent of the reckless policy that ended in disaster, he was chosen, logically enough, to liquidate the situation arising out of the Treaty of Portsmouth. But two circumstances gave the appointment special significance. His liberal political views predisposed him to closer relations with the western democracies, and even before he formally assumed his office, he had defined with the Russian ambassadors in Paris, Rome and London, the convention of 1907 with Great Britain. Secondly, "having been at all times a stout partisan of a European policy for Russia", he was the last man to accept passively the advance of the Central Powers into that inflammable Near East where Russia's own interests were most permanent and real. M. Iswolsky's policy was undoubtedly influenced by his expressed conviction that the German Emperor was largely responsible for the ill-fated adventure in Manchuria; while the

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latter had conceived, thanks to the failure of the Bjorkoe intrigue, "a hatred for the Emperor Nicholas that he managed to conceal for some years", but which manifested itself clearly enough in the actions of his government. The Russian foreign minister rested his policy "upon the unchangeable base of the alliance with France", which was to be "fortified and enlarged by agreements with England and Japan"; whether he realized the possible consequences of this "prompt and irrevocable decision", does not appear from his account.

The main interest of the book lies in its picture of the Russian revolutionary movement. A liberal by both tradition and experience, M. Iswolsky warmly supported the demand for a constitution, using his influence with the Dowager Empress to exert pressure on her vacillating son to issue the Manifesto of October, 1905. He was not filled with democratic sympathies, and he regarded the Cadets as visionaries; but in spite of the arduous duties of his own office, he worked behind the scenes for the progressive cause, he opposed the dissolution of the first Duma, and at one stage he fathered a scheme for a coalition cabinet which should enjoy the confidence of the Duma. Even more interesting than the narrative of events is his picture of the utter chaos of the bureaucracy and its desperate and disgusting intrigues to discredit the new ideas.

M. Iswolsky's portraits of his associates are merciless, but they are fair. He is at his best in describing the three men whom he knew most intimately, the Emperor, Count Witte, and M. Stolypin. Like many others he "fell under the spell of the attractive nature" of Nicholas II, to whose personal courage he warmly testifies, as well as to his loyalty to France and to the Entente; but he perceived also "a natural tendency towards fatalism and superstition", and he demonstrates from his own experience how difficult it was to keep the Emperor to a definite policy. Perhaps he does not fully appreciate to what extent the last Romanoff's character was responsible for Russia's tragedy; but at least he does not descend to flattery. Though he found Count Witte personally distasteful and politically rather hostile, his judgment of Witte's merits is not obscured, and his regret is that in the end the Count sacrificed his principles and became a reactionary in the hope of recovering the Emperor's favor. In passing, M. Iswolsky comments at some length on Witte's obsession for a Franco-German-Russian alliance. But his hero is Stolypin, whose "great work" of reform and progress inspired in him "a passionate interest", and though in the end they disagreed and

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Iswolsky resigned his office to become ambassador in Paris, their personal relations remained unchanged. If the Duma became "a mighty instrument of government", the credit is due largely to the cordial coöperation of Stolypin and Iswolsky and their unflagging resistance to the reactionaries. Among the other personalities described in these pages attention may be called to the penetrating study of Goremykin and the amusing description of the punctilious and incompetent Count Mouravieff.

Taken as a whole, M. Iswolsky's memoirs are indispensable to students of Russian history. He reveals a good deal that was not known before, he rectifies numerous erroneous statements, and above all, he writes with a sure grip of realities, a straightforwardness, a freedom from prejudice, and a sense of proportion that cannot be praised too highly. It is to be regretted that there is no index, and that the proofreading has been quite careless.

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International Law and the World War. By JAMES WILFORD GARNER. London, Longmans, Green and Company, 1920.—Two volumes: xviii, 524; xii, 534 pp.

Amid the diversities of opinion resulting from the war, there was at any rate one point of general agreement. Belligerent and neutral, publicist and layman, alike drew the unambiguous conclusion that international law, if such there were, had been bombed and torpedoed out of existence. The positiveness with which this was asserted usually varied inversely with previous knowledge of the subject; but even its professed exponents and guardians readily admitted that international law had fared in a manner to make the judicious grieve. Nevertheless, in the words of Sir Frederick Pollock (as quoted by Professor Garner), "law does not cease to exist because it is broken or even because for a time it may be broken on a large scale." Admitted that the net of the law, in Bacon's phrase, catches the little flies only. The remedy is to strengthen the meshes, not to deny the utility of nets.

While the enforcement of international law in a world war makes a sorry tale, the occasion is opportune for a re-examination of the rules and the reasons underlying them. From the charges and counter-charges of belligerents and the protests of neutrals may be compiled a whole digest of the laws of war. This is substantially what

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Professor Garner has undertaken to do in the two volumes which he has written for the excellent series of *Contributions to International Law and Diplomacy*. The purpose is "to review the conduct of the belligerents in respect to their interpretation and application of the rules of international law, compare it with the opinion of the authorities and the practice in former wars, and wherever infractions appeared, to endeavour to determine the responsibility and to place it where it properly belonged". Thus Professor Garner aims at an evaluation of evidence rather than a theoretical discussion of future reforms.

Professor Garner has covered the ground very fully. After a chapter on the status of international law at the outbreak of the war, he takes up the treatment of enemy aliens in respect to personal liberty, property and right of access to the courts. The legislation and judicial practice of the chief belligerents are contrasted and it will be information to many that, however barbarous her methods of warfare, Germany's attitude toward the alien enemy's legal rights compares favorably (in the earlier part of the war, at least) with that of the Allied and Associated Powers. This difference had been disclosed at the Second Hague Conference and later gave rise to a conflict in interpretation of Article 23 (h) of the convention on the laws of war. A chapter on merchant vessels in enemy ports is followed by another on transfer of flag, which might better have been considered with other topics on maritime warfare. The *Dacia* decision calls forth the comment that, if the Declaration of London were to govern, "there are apparently no conceivable circumstances under which transfers from belligerent to neutral flags can be made after the outbreak of war". Admittedly, the cases would be rare, but the Report appended to the Declaration indicated one or two conditions under which such transfers might be legal. The discussion on trade and intercourse with the enemy and the effect of war on contracts is, in general, excellent, though it is not strictly accurate to say, apropos of the British "black-list", that "the ancient Anglo-American test for determining the status of enemy persons was abandoned and the Continental test of nationality substituted" (I, p. 229). Rather did they get it both ways, as the author more correctly puts it elsewhere, "by applying in some degree the test of nationality . . . in addition to the old test of domicile". The statement that "contracts entered into with enemy subjects *after* the outbreak of war are generally dissolved", is not well put if, as is the case, they cannot be made *ab initio*.

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In the remaining chapters of volume I the author comes to grips with the more vital questions raised by the war. What is to be the place of the new instruments and methods of warfare? How is the war zone to square with the freedom of the seas? How will the submarine fit in with the elemental rule of visit and search? Upon what principles shall war in the air proceed? Many of the formulations of The Hague or of London are found to have been "inadequate, illogical or inapplicable to the somewhat peculiar and novel conditions under which they had to be applied". Looking to the future, if private property at sea is not to be immune from capture, the crux of naval warfare will be the extent to which the belligerent right to destroy prize will be permitted. In the discussion on this point the difference between enemy and neutral prize is not always kept in mind. Thus the Declaration of London did not authorize the destruction of enemy vessels (I, p. 369); it dealt with the treatment of neutral prize only.

Volume II is concerned in the main with two general topics—the law of military occupation and the rules of naval warfare — with concluding chapters on the effect of the war on international law and its outlook for the future. Belgian neutrality in relation to the treaties as well as to *Kriegsraison* comes in for full discussion, and comparison is made with other violations in Luxemburg, China and Greece. The crime of war-treason is shown not to be peculiar to the German war code. The British *Manual* and the American *Rules of War* both give it a place. The French, however, more logically recognize that hostile acts committed by inhabitants of occupied territory, while punishable, "may not be qualified as treason, treason being exclusively restricted to acts committed by individuals against their own country in the interests of the enemy". Professor Garner's treatment of the questions of naval warfare is comprehensive and judicial. The facts are set forth with candor, the old rules historically examined and suggestions made for future revision. Previous practice is indicated, especially that of the American Civil War. The history of the doctrine of continuous voyage (which is the key to a critical examination of the measures of the Allies) would seem, however, to require more than two pages for adequate presentation. The doctrine, by the way, was developed to meet the case of reserved trade, not the carriage of contraband (II, p. 297). It may be questioned whether Lord Stowell ever applied the doctrine to contraband as such (II, p. 303). On another page Sir Samuel Evans is authority for the statement that there is "no reported case in which it had

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been applied by the British courts to the carriage of contraband". As Professor Garner himself points out (II, p. 297), it appears to have been first so applied by the French courts during the Crimean War. The *Springbok,* it may be remarked, was a case of blockade rather than contraband (II, p. 297), the amount of contraband cargo being almost negligible. The exception of Virginia and North Carolina from the first blockade instituted by Lincoln is hardly analogous to the situation created by the inability of the Allies to blockade the Baltic coast of Germany. In 1861, the exception was equally in favor of all neutrals; under the measure of the Allies only the Scandinavians could enjoy immunity for their Baltic trade.

Professor Garner had a large order to fill and must have worked with dispatch. For that reason, some inaccuracies have crept into the text, chiefly in the matter of dates. Repeatedly, August 3, 1914, is given as the date of the outbreak of war between Great Britain and Germany (I, pp. 10, 64, 516). Italy's proclamation of the war against Turkey must have been made in October, 1911, not 1912 (I, p. 29). The Italian declaration of war on May 21, 1915, was against Austria-Hungary, not Germany (I, p. 80). Captain Fryatt was executed in 1916 (I, p. 407). Belgium was overrun by the end of August, 1914 (II, p. 58). The French measures against China were in 1885 (II, p. 288). Spain had formally adhered to the Declaration of Paris before the outbreak of war in 1914 (I, p. 13). Alexander of Greece was the son, not the brother, of Constantine (II, p. 250). So far as announced, no indemnity has been paid for the sinking of the *Frye* (II, p. 279), though Germany accepted liability in principle.

A careful reading of Professor Garner's two volumes gives one an adequate notion of the present condition of international law. The difficulties are not all due to violations of existing rules. Back of the rules are differences of interpretation; and behind these, in turn, are more radical differences as to fundamental concepts. Since the French Revolution there had been a tendency to regard war as a contest between armed public forces, but the German *Kriegsbrauch,* with relentless logic, saw in this only "sentimentalism and flabby emotion". Indeed, the British government, as early as 1916, was forced to recognize that "so large a proportion of the inhabitants of the enemy country are taking part, directly or indirectly, in the war, that no real distinction can now be drawn between the armed forces and the civilian population". Perhaps this extension is inevitable. But before the adoption of new rules, there must be definite agree-

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ment as to the nature and scope of war itself. In the past the formulations have often been purposely vague. The "military necessity" of the Hague Conventions, for example, is suggestive of a "joker", affording technical justification for the extremest doctrine of *Kriegsraison*. In some cases the conventions are *ultra vires*, as when they attempt to limit the uses of new inventions; in others, a reluctance to legislate within their proper sphere is apparent, or a show of agreement is sought by timid compromises which sidestep the issue. It is impossible, of course, to foresee all the conditions under which international law will have to be applied. Yet law, like other social institutions, is organic, not static. Old principles, in Lord Stowell's well-known dictum, can be applied to new circumstances without losing logical continuity. But first we must clear away the débris and trace out the broad lines of reconstruction. Toward this part of the work Professor Garner has made a detailed and thoroughgoing contribution. We now await the great synthesis itself.

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COLUMBIA UNIVERSITY.

English Political Parties and Leaders in the Reign of Queen Anne, 1702-1710. By WILLIAM THOMAS MORGAN. New Haven, Yale University Press, 1920.—427 pp.[1]

This volume affords an admirable example of what intelligent research can accomplish. The author has ventured to study again a period so striking in its great personages and in the large events it contained that for long it had been well known and frequently written about, until its main outlines appeared to be clearly established. It is not too much to say, however, that in the course of a single volume the author effects reconstruction of much of our knowledge of the time. He has, indeed, written a book of great interest to all students of English history in the eighteenth century, and his volume, which has not yet attracted all the attention it deserves, is certain to be more and more highly valued as its worth receives recognition.

Generally it has been assumed that Anne, Queen of England, reigned but did not rule, since she was a person of timid nature and small ability, very largely under the guidance and the power of Marlborough and the duchess, his wife; that while the duchess of

[1] This essay was awarded the Herbert Baxter Adams Prize by the American Historical Association, 1919.

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Marlborough easily managed the queen, the government was almost entirely under the management of Godolphin, lord treasurer, and the duke of Marlborough, captain-general, assisted by associates and friends; that gradually the two great men went over to the Whigs with whom they worked; that after some years of the preëminence of the Marlboroughs and their friends petty intrigue and the heat of passion delivered the passive and subservient queen from one master to another, thus almost accidentally bringing about a revolution in the political history of England and in the diplomatic and military affairs of Europe.

Many historical scholars have not accepted such an account completely, and it is true, as the author points out, that long ago Dean Swift and later on Archdeacon Coxe expressed a different view of Anne and gave a different account of her reign. None the less the current view was long ago established by Smollett, afterwards fortified by Macaulay and Lecky, then largely handed on by Wyon, Leadam, and the younger Trevelyan. The reviewer, after no little study for another purpose in the archives of London and Oxford, some years ago came to the conclusion that the character and abilities of Anne, at the beginning of the eighteenth century, like the character and abilities of the duke of Newcastle a generation later, had been much underrated and ill-understood. The unpublished state papers and letter-books of the secretaries, not to speak of numerous passages in printed contemporary correspondence and in the *Reports* of the Historical Manuscripts Commission, suffice to show that Anne attended the meetings of her cabinet council and was always consulted with respect to the governing of England. The author of the volume here reviewed has made exhaustive investigation of the subject and thrown upon it so much light that it will probably not be misunderstood in the future.

Dr. Morgan shows conclusively that Anne was neither weak nor timorous nor incapable, that from the beginning of her reign she took an active part in the governance of the realm, and that she largely followed her own intentions and judgment. Church patronage always she held firmly in her grasp, and she was generally a real authority with respect to other appointments. At the beginning of her reign she placed in the most important positions men of ability like Marlborough and Godolphin, who had long been friendly to her and upon whose friendship and capacity she now thoroughly relied. With their assistance she governed England. Good counsel she desired and advice often she took, but about all important things she

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had to be consulted, and often it was her will, despite all opposition, which imposed the decision. The duchess of Marlborough, who has so long been regarded as temporarily the mistress of England, is shown to have possessed little political influence, and never to have interfered much in government matters. Her position as close personal friend of Anne she presently lost, as is well known, because of her overbearing and imperious disposition and because she was supplanted in the queen's favor by Abigail Hill, Mrs. Masham, a woman of sweeter and more agreeable temper.

For some years Godolphin and Marlborough were associated with Robert Harley, a moderate Tory. Harley also was considerably underrated in after times. Dr. Morgan shows him as the ablest political leader and organizer of his age and one who developed the art of parliamentary management and devices for influencing public opinion beyond anything then attempted. He has often been thought of as an intriguer of some capacity, who profited by the rivalries and emotions of women, and who rose to power very largely by way of the "backstairs". But he had made himself almost indispensable to the lord treasurer, who was no politician, and to the captain-general, never popular and always occupied largely with war and with foreign affairs, long before he overthrew them; and with them he made the "triumvirate" which governed England from 1704 to 1708. It was through Harley that the House of Commons was managed and controlled.

Meanwhile, opposed to this ministry, which was based upon the moderates of both parties and the support of the "queen's servants", there was the Whig organization, the "junto", powerful and aggressive, and determined to force itself into the queen's favor and into control of the ministry. Anne's high sense of her prerogative and her personal feelings made her from the first averse from the Whigs. Marlborough and Godolphin, who like herself desired to be above and outside of party, gradually inclined to the Whigs, in order to get support for the war which the Tories were less inclined to bestow. With the "junto" Marlborough and Godolphin were presently forced to make uneasy alliance. Anne received Whigs into the ministry with reluctance and after as much delay as she was able to interpose. In the ministry, mostly Whig, which was thus presently formed, Anne most unwillingly acquiesced. At the first opportunity, aided by Harley, she drove it from power.

The author has made thorough and exhaustive study of the materials which he should have examined, and much of his information is

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drawn from rare sources. In the opinion of the reviewer, some of the narrative of political developments is intricate and dragging, though perhaps that is inevitable in such a work. On the other hand, the author displays skill of a very high order in making real the persons he describes. The account of the working of the English government at the beginning of the eighteenth century is less good than what has to do with political relations; but the student of the history of government will find a great deal of interest in what is given about parliamentary management and especially about the methods employed in parliamentary elections. The account of the prime minister, of the cabinet, and of the ministry contains much of value and importance, though here the author has not ventured to do very much with the extreme difficulties which beset the subject, difficulties which would require a separate study. The writing, while marked by no particular distinction, is for the most part clear and pleasant. There are very few minor inaccuracies; and the appearance and technique of the volume do much honor to the Yale Press and to Professor Andrews, the distinguished editor of the series.

RAYMOND TURNER.

ANN ARBOR, MICHIGAN.

Political Thought in England from Locke to Bentham. By HAROLD J. LASKI. New York, Henry Holt and Company, 1920. —323 pp.

This volume is a brief survey of the development of English political thought in the century from Locke to Burke. It comprises an estimate of Locke, a chapter on church and state in the nineteenth century, and one on the "era of stagnation", an analysis of Hume and Blackstone, a critique of Burke, and in conclusion an estimate and appraisal of Adam Smith. The central features are Locke, Burke and Smith, in their respective relations to the Revolution of 1688, the French Revolution and the Industrial Revolution.

The discussion of Locke has been comprehensively carried through by many other historians and leaves little scope for Mr. Laski in view of the compact form of treatment he has adopted. He concludes that there was little original in the doctrines of the apologist for the Revolution, but characterizes him as the first of the English writers whose theory was purely secular. He rightly declares that Locke struggled to place sovereignty elsewhere than in the formal government in order to preserve intact his theory of the right of revolu-

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tion, but his seeming intimation (page 63) that Locke was the father of the doctrine of the separation and balance of governmental powers is scarcely tenable. Locke's right of revolution and his "fundamental limitations" on the "Legislative" were his safeguards of liberty, while the mechanical contrivance of checks and balances came from Montesquieu.

Of interest to American students is Laski's characterization of Blackstone, of whom he has no higher opinion than did Jeremy Bentham in his day. Blackstone, says Laski, produced "the defence of a non-existent system which acted as a barrier to all legal and much political progress in the next half-century".

Over Burke, the great orator and rhetorician, Mr. Laski seems to mourn, even while he chastises him. Burke's very defects, he finds, are lessons in themselves. He was grandly wrong, no matter how hopelessly mistaken. Laski must in the end classify him as a statesman and partisan rather than as a systematic philosopher. A comparison between the ideas of Burke and Thomas Paine would have been interesting, in view of the famous controversy between them.

A brief but suggestive analysis of Adam Smith concludes the volume. To Smith he attributes, as is usual, the foundation of the classical school of political economy, but by a more dubious interpretation he attributes to him the foundation of the modern proletarian movement as well. This surprising conclusion he reaches by imputing to him the theory, with its modern implications and applications, that labor is the source of all value.

On the whole, this volume is a compact and useful statement of the characteristic political theories of England during a significant century of development. One may differ on particular points of emphasis and interpretation without detracting from the general estimate of the product as a whole.

CHARLES EDWARD MERRIAM.

THE UNIVERSITY OF CHICAGO.

Venizelos. By HERBERT ADAMS GIBBONS. Boston, Houghton, Mifflin Company, 1920.—xi, 376 pp.

Mr. Gibbons's volume is the first in a projected series of biographies of "great modern statesmen who have played leading rôles on the diplomatic stage during and after the Great War". Lives of Clemenceau (by Morton Fullerton) and Woodrow Wilson (by William Allen White) are announced as "in preparation". It is

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to be hoped that the forthcoming volumes will have all the merits of Mr. Gibbons's work—its vividness, clarity, adequateness of historical setting, accuracy in historical detail—without sharing its faults of special pleading and lapses into prophecy.

When President Wilson visited the United States in February, 1919, he spoke of Eleutherios Venizelos as "the greatest figure among the statesmen of the Peace Conference"; and from hundreds of men who have returned from Paris with various opinions of Lloyd George, Clemenceau, Orlando, Sonnino and Makino, only one estimate of Venizelos is heard—a real statesman. It is an inspiration to read the story of such a man's career, perhaps doubly interesting because he is a "discovery". His name burst on the consciousness of the American people as the Philippines did some twenty years ago. For of the long struggle of the revolutionary patriot Venizelos against Turkish misrule in Crete (1900-1910) the American public were as ignorant as they were of Paoli's resistance of French domination in Corsica. When the great revolutionist took his seat in the Greek parliament at Athens to lead the liberals who were striving for a democratic monarchy at home and the fusion of the "unredeemed" Greeks of Asia Minor, Thrace and the Islands into a Greater Hellas, he began to be recognized as the most influential person in the Balkan states. And when he took the fateful step of the secession to Saloniki, which convinced the Entente that King Constantine must leave his throne, he became a figure in world-politics. At Neuilly and Sèvres he crowned his work for Greater Hellas by imposing on Bulgarians and Turks a peace that recognized the Hellenic hegemony of the Near East.

The fascinating story of the rise of this Cretan lawyer to the dictatorship of the Hellenes is told by Mr. Gibbons, his personal friend, with a zealousness of approbation which sometimes does violence to strict historical disinterestedness. The question of absorbing interest, of course, in Venizelos's career is his opposition to King Constantine. According to Gibbons, Venizelos was wholly right and Constantine wholly wrong. The latter deceived his minister and betrayed his people, choosing to be a tool of the Kaiser rather than the servant of his nation. On the other hand, Mr. Paxton Hibben, the correspondent of the Associated Press in Athens, in his *Constantine I and the Greek People,* maintains (with the support of many distinguished Greek public men) that Constantine was desirous only of preserving the neutrality of Greece, and that he was constantly hampered in his purpose, and finally driven into the arms of Ger-

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many, by the bungling diplomacy and ineffectual meddling of the Entente Powers encouraged by Venizelos. Gibbons agrees with Hibben as to the futility of the Entente's intervention in Greece, but he regards it as a betrayal of Venizelos, not as a frustration of the royal policy of neutrality.

Probably historians will continue to disagree, as Mr. Gibbons and Mr. Hibben disagree, on the merits of the respective programs of the king and his brilliant minister. But in view of the enthusiastic recall of Constantine to his throne in the elections of November, 1920, it can hardly be maintained that Venizelos had that universal support by the Greek people which Mr. Gibbons claims for him. The date of publication of the book is October 1, 1920. Had the author delayed a few weeks he could not have so confidently hailed the definitive victory of Venizelos as he does on page 215, or have written that King Constantine sacrificed to the illusion of Germany's invincibility "the aspirations of Hellas and *his own future*" (p. 241), or have ended his book with the prophecy, "He [Venizelos] will take possession of Constantinople" (p. 376). This is not to defend the Constantinists or to deny that some day the mobile Greeks may hail Venizelos again at the Peiræus with the same demonstrations of joy that they gave to Constantine last December. A journalist like Mr. Grasty can speculate on the probabilities of the future. A historian must not set them down as inevitable. Mr. Gibbons might have prepared his readers for the surprise of November, 1920, by telling something of the arbitrary and often cruel procedure of the Venizelists at Athens (like the murder of Dragoumis) while their chief was immersed in the politics of the Peace Conference.

These faults of too zealous partisanship and prophecy, however, do not prevent Mr. Gibbons's volume from being a most valuable contribution to the recent history of the Near East and a fascinating portrayal of a most fascinating personality. One is reminded again and again, in studying the traits of the great Cretan statesman, of Count Cavour. There is the same patience, the same moderation, the same undeviating pursuit of the path of strict constitutional and diplomatic correctness, the same prescience of the powers that would best help his nation "make itself". Even to details, like the furnishing of a small contingent to the military operations of the Allies, in order to gain a voice at the council table, the careers of the two men are parallel. Only Cavour was able to work in harmony with his sovereign, while Venizelos had finally and reluctantly to establish a revolutionary government.

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Mr. Gibbons should not have allowed "*Italiò farò da se!*" (p. 65) to escape his proofreading, nor have marred the text with a number of slang expressions like "get in wrong" (p. 86), "sat hard on" (p. 109), "be in on it" (p. 195), "been let in by" (p. 248), "delivering the goods" (p. 318), "raising a row" (p. 356). It is a mistake to think that such phrases enliven the narrative.

D. S. MUZZEY.

Abraham Lincoln—Man of God. By JOHN WESLEY HILL. New York, G. P. Putnam's Sons, 1920.—xxv, 416 pp.

"A book has long been needed . . . to convince the most incredulous that Abraham Lincoln . . . was as sincere in his religious faith as Robert E. Lee and William E. Gladstone", writes President Harding in an introduction to Chancellor Hill's attempt to prove this to have been the case. General Wood also contributes an approving foreword to the volume. Eminent civil and military authorities having spoken, presumably, the question is settled.

This book might appeal to "the uncritical, the ill-informed and the prejudiced". For only the uncritical could consider Lincoln's appointment of Simon Cameron to his cabinet as partial evidence that Lincoln constructed his administration "upon the principles of the Christian religion" and conducted it "in the spirit of obedience to God's word". And only the ill-informed, unaware that the wily Seward suggested the closing of Lincoln's first inaugural could approve: "Who, born of woman, has ever revealed the wonderful patience and fraternal love that Lincoln evinced . . . in the closing words of his inaugural address." And none but the prejudiced could sanction Hill's description of the "hedging" Republican platform of 1860. "The fact is, Abraham Lincoln was making for himself . . . a party whose sole platform was truth, justice, righteousness, God." Although these and numerous other assertions of similar quality may seem apropos in political and military arenas, they fail to meet the demands of historical truth.

The Chancellor condemns those who did not continually applaud Lincoln. Thus: "Lord John Russell used his influence at all times to promote schemes of intervention, ostensibly in the name of peace, but really to assure the division of the American Republic into two hostile governments" and "to them [Russell, Gladstone and others] the supply of cotton was more important than the life of a great nation cherishing similar institutions and traditions". Even though

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abolition of slavery by the sword was not in accord with English traditions, even though English statesmen had engineered, without bloodshed, a purchase of the slaves within the British Empire in 1833, Chancellor Hill can discover no honorable basis for any English statesman's disapproval of Lincoln's blood-and-iron method of emancipation.

The author's treatment of compensated emancipation is thoroughly characteristic. He reasons as though Lincoln had the cash in hand and made a definite offer to buy the slaves, but Heaven ordained a drop drawn by the sword for every drop drawn by the lash as the just scale for compensation. Yet the Chancellor makes no attempt to figure out why over three times as many drops of northern as of southern blood were drawn during the Civil War. A believer might logically conclude that God willed the northerners to pay in blood what they refused to pay in coin.

However, the object of the book is to prove Lincoln's religious faith as sincere as that of Gladstone and Lee. Gladstone and Lee were not "forced" to their knees because they had nowhere else to go. Why argue this point under such circumstances?

MARY SCRUGHAM.

CARSON CITY, NEVADA.

A Guildsman's Interpretation of History. By ARTHUR J. PENTY. New York, The Sunrise Turn, Inc., 1920.—327 pp.

This new volume by one of the most enthusiastic of the National Guildsmen is, as its title implies, rather a confession of faith than an attempt to write objective history. Starting with the firm conviction that the ideal, and indeed the only truly possible, society is one based upon some form of communal relationship, and feeling keen resentment against the present social and economic organization, the author proceeds to review the past to learn when such a society as that for which he yearns may have existed. To search the pages of history for texts by which to prove an hypothesis is always a risky proceeding and with Mr. Penty it becomes acutely so since much emotion goes into his work.

The book is replete with sweeping generalizations based upon a substructure of fact quite inadequate to carry the theories which the author endeavors to establish. History is not so simple as he would make it. In his view, the root of our present economic ills lies in the introduction of currency about 700 B. C. and the resultant de-

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struction of communal society. But to argue that all society prior to that date was organized upon a communal basis is to ignore the early commercial civilization of the Tigris-Euphrates valley and to betray a misconception of the system of land exploitation prevalent along the Nile. To link up, as the author does in Chapter II, Christianity and the gild organization of industry in the Middle Ages, seems to the reviewer to show but a partial understanding of the origin and object of the medieval gild. It might with equal justice be argued that the gilds owed their existence to the effort to secure and maintain monopoly, or that they were born of the attempt to assimilate the growing industry to feudal ideas. The assertion that feudalism was "an institution in which the lords were not autocrats but functionaries" (p. 76) and that serfdom was not exploitation (p. 49) seems to be a little too sweeping even for the author himself, who adds by way of qualification the statement, "we are safe in concluding that where the lord was inclined to be arbitrary it would be difficult to restrain him" (p. 51). Finally, the theory that the breakdown of medieval social and economic organization, together with all the ills of modern civilization consequent thereto, may be ascribed to the revived study of Roman law and the Protestant Reformation is an interesting hypothesis, but one upon which a careful student would hardly care to stake his reputation. In fact, the whole discussion of the basic economic organizations in the Middle Ages, the manor and the gild, seems to the reviewer to be based upon inadequate and biased sources, to omit so many vital considerations, and to be so full of assumption and hasty generalization that the author's conclusions therefrom must be viewed with the greatest reserve.

With present-day problems he seems more familiar. The chapters dealing with contemporary social and economic organization exhibit with clarity and effectiveness the author's point of view. Intellectual dilletantism in the French Revolution frustrated an unconscious movement of the people back to medievalism; the commercial and industrial revolutions have destroyed the industrial democracy of the gild system, establishing instead the theory of cut-throat competition under a policy of *laissez-faire,* and have brought about the enslavement of the industrial worker to the machine. Production has outrun the world's possibilities of consumption to such an extent that the need of markets led Germany in 1914 to plunge the world into war. The present chaos in Russia illustrates the absolute bankruptcy of our present economic and political systems. "It is important to

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recognize that *Bolshevism enters to fill a vacuum.* It will come here [England] as to every other country, if ever our bankruptcy of policy becomes complete" (p. 288).

In the last chapter Mr. Penty offers his solution of the problem. Sweep away Roman law; follow the trade-union movement back to the medieval gild; control currency by again establishing the just price. Regulation of currency is at the heart of the economic problem, and through that of the political and social problem as well.

> To solve the problem of currency by the institution of a Just Price under a system of Guilds for the regulation of exchanges, and the adjustment of balance between demand and supply, is to bring order into the economic problem at its active center. . . . By such means the reconstruction of society would proceed upon orderly lines. All that it would be necessary to do would be for the democratic movement to exert steady and constant pressure over a decade or so, and society would be transformed without so much as a riot, much less a revolution [pp. 200-201].

Mr. Penty has produced a stimulating book, one which is enlivened on nearly every page by the author's pet hobbies or aversions. It contains much to challenge preconceived or thoughtlessly accepted notions. But it is a question if the author might not have presented a more truthful picture had he spent some time in the impartial examination of sources, or, failing that, in consulting somewhat more assiduously the "lying historians".

AUSTIN P. EVANS.

COLUMBIA UNIVERSITY.

America and the New Era: A Symposium on Social Reconstruction. Edited by ELISHA M. FRIEDMAN. New York, E. P. Dutton and Company, 1920.—xxx, 500 pp.

In addition to a foreword by Mr. Herbert Hoover and two introductory chapters on social and political perspectives contributed by the editor, there are in this book twenty-six essays written by as many authors. These essays are grouped under four general headings, as follows: "Social Progress versus Cycles of Change"; "Some Economic Aspects of Social Problems"; "The New Nationalism"; and "The Conservation of Human Resources".

As one might expect, the articles differ from one another as to method and interest. Some are keenly analytic and scientific; some chiefly polemical and exhortatory; a few merely factual; two or

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three have no apparent merit of any sort. Possibly a brief outline of two of the more interesting and well-written essays will serve to give the reader at least a general idea of what he may expect to find in the volume. For this purpose we may select Dr. Horace Kallen's "The International Mind; its Character and Conditions" as a good example of the analytic type, and Prof. C. A. Ellwood's "War and Social Evolution" as typical of the exhortatory sort.

Dr. Kallen's first proposition is that public opinion was as culpable as statesmanship in bringing about the blunders of the peace treaty. He urges that in regard to international questions public opinion has been formed on a wrong basis—a basis of propaganda and artificially developed national egoism. With such a basis for public opinion naturally there was no such thing in existence as an international mind, in spite of the fact that the term had been coined some years before the outbreak of the war. The very groups that were responsible for the use of the phrase had failed to perceive that "to become permanent contents of the minds of men group relations must be relevant to their daily lives" (p. 55). Unfortunately the League of Nations creates no machinery by which an international mind of this sort may be fabricated. It is true that Article XXIII of the Covenant (i. e. the article relating to labor, natives of backward regions, traffic in women and children etc.) contains a set of principles that would come straight home to the daily lives of the plain men and women of the world, if the principles were honestly and democratically applied. Unfortunately such provision as is made for their application is bureaucratic and paternalistic. It is obvious that Dr. Kallen is not over-optimistic about the efficacy of the League in promoting a healthy international public opinion, but he is not without hope. If liberals work steadily and effectively for freedom in education, and democracy in industry at home, and at the same time throw their influence in favor of a program of amendment of the Covenant so as to reconcile the economic order with the political and thus bring the individual citizen-worker to a point of habitual action with respect to international affairs, we may still realize the age-long dream of universal peace.

Professor Ellwood's essay is on a related subject but his method of reasoning is quite the opposite of that of Dr. Kallen. By appealing to anthropology, history and sociology he undertakes to prove that war is not universal and inevitable but is transitory and, with fuller social development, avoidable. With this proof it is not necessary to quarrel, although some of the evidence adduced seems quite

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insufficient to the reviewer. But how are we to render war avoidable? The answer is found in a number of *musts* and *wills*. "Sociologists in general", he affirms, "are practically unanimous in concluding that *the real causes of war are always in the mores*. . . . Where the *mores* of a people are non-militant no war results no matter what the external geographic and economic conditions may be. On the other hand, with war-like *mores* the most trifling things may be the occasion of war" (p. 39). The remedy is very simple. "We must replace the *mores* of barbarism in our politics, business, and general social life by the *mores* of civilization" (p. 39). We cannot exactly "swear off" our barbarous *mores*, that is, not all at once, but we can gradually rid ourselves of them "by that organized, systematized process of learning which we term 'education'" (p. 45). In conclusion Prof. Ellwood says:

> Aristotle had the theory that the purpose of tragedy was to purge the human soul. So the tragedy of the Great War may possibly purge our civilization of the influences which have lingered in it from the barbarous past and which have threatened its disruption. Through making us take thought it may possibly enable us to build a new and a true civilization, one based upon the recognition of the solidarity of humanity and with service rather than power as its final standard (p. 47).

Thus might have written Rev. John Roach Straton or Dr. Frank Crane. This is said with no intention whatever of belittling the very great value of good preaching, but merely to call attention to the fact that this book written by doctors of philosophy quite frequently steps outside what might fairly be considered its proper bounds and encroaches upon the fields of the doctors of divinity. Their biblical text may be found in the sixth chapter, eighth verse, of Micah: "He hath showed thee, O man, what is good; and what doth Jehovah require of thee, but to do justly, to love kindness, and walk humbly with thy God?"

And how shall we fulfil this ancient injunction of the Hebrew prophet in this third decade of the twentieth century? Diverse as are these essays in many respects, in the answer to this question we find their unifying theme. They urge us to abandon *laissez-faire*, even as one hundred years ago men and women possessed of the same zeal for righteousness as these twenty-six were recommending its adoption. The slogan for America in the new era should be *conscious social control*.

B. B. KENDRICK.

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Collected Legal Papers. By OLIVER WENDELL HOLMES. New York, Harcourt, Brace and Company, 1921.—vii, 316 pp.

The author tells us that this book has been gathered from bits of his fleece which have stuck to the brambles through which his path has led. And so in a sense it is; the Jason is perhaps not yet breeched who shall fetch the whole glittering pelt from the Euxine of the Law Reports. Besides, the ram is still lively, and grows wool of equal weight and fineness as before. Nevertheless, *Collected Legal Papers* is a good vertical section of the mind of that judge who beyond any other of his generation has impressed his ideas on the structure and course of the law. While, therefore, we must wait for an adequate estimate of his work, probably till the momentum of those ideas has been more fully felt in another generation, we should be grateful now for this glimpse of how he thinks, and—what is the same thing—what he is.

The collection is miscellaneous enough, passing from impromptu after-dinner toasts, set speeches and responses, through excursions into Early English law, discussions of present legal problems, up to speculations about the nature of law and the basis of ethics. These are strung together only on the thread of chronology and give the continuous reader a strange sense of traveling now on the earth, now on the sea, and again in the air. Upon the historical papers I have no right to an opinion; the Frankish "salman" and the Roman "hæres" must fight it out without the help of those of us who grind a daily grist, and when the scholars are agreed, we shall all acclaim the victor as veritable executor without pride or rancor. But such papers as those on "Agency" and "Privilege, Malice and Intent" come close to daily affairs. There is no practising lawyer but has floundered helplessly in the bogs of such phrases as "scope of authority", "undisclosed principal", or "rights of action", "malice" and "intent".

The uses of scholarship—legal scholarship at any rate—lie chiefly in this, that it prevents, or at least impedes, false rationalizing. Much of the law has developed as a succession of misunderstandings of the past, laying the patterns of the present upon inherited mosaics which they cannot fit and to whose makers they would seem meaningless. Scholarship is a Chronos which devours its children, and more monstrous still, a Hegelian Chronos which can only in this way realize any synthesis out of its own self-contradictions. Its disclosures must always shock the reverent, even though after a decade they accept them as foreordained and immemorial.

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A good deal of the book goes in this vein to show that much of our legal thought has no relation to present notions of social convenience; it is inherited from other times when personal responsibility had not yet emerged, and when, so far as it had, it was determined only by grosser tests than we now employ. Still our progress has in no sense resulted in confusing morals and law — on that point we must especially insist. Law is merely that order on which the sheriff will act, its *sine qua non* is the writ; the Austinian tradition carries through all historical researches. There are no laws *in nubibus; jus gentium* is so much as the prætor actually enforces. Moreover, law remains as before, a matter of external tests; a contract does not require mutual assent or a common intent; it is a consequence imposed by fiat upon conduct, usually verbal, and, if ordinarily a common understanding also exists, that is irrelevant. It is a consideration which may have fixed the law as it is, but it has nothing to do with its content.

But in none of this is the chief significance of the book; English-speaking lawyers are little given to Platonism, though they are seldom such conscious positivists. The nub of the thing is rather the vein which crops out here and there, and elsewhere runs continuously beneath the surface. Our highest judges are not kings, to be sure, but they are of necessity philosophers, little though they may know it, and their philosophy is of much consequence to the State. Until half a century ago it made less difference, because politically we were all of one catholic church; or at least all dissenters were of Ishmael and we might ignore them. There was but one Jeremy and John Stuart was his prophet. But later the people have wandered in the wilderness following false leaders, and the winds now carry to us obscene voices deriding the faith. How shall philosopher-judges behave? The answer here is not edifying to the orthodox, seeking comfort. "My children, seek no deducible irrefragibilities. Man is a poor passional thing; his laws, his maxims, his verities are compromises between what he likes, and what he likes better. Temporary they are, because today he likes better this than that, which he liked better yesterday, and may like again tomorrow. Law is but a working formula of the moment, in which the constants are all variables to be successively determined anew by each generation."

A disquieting faith surely to a people seeking eternal truth, not too conscious of its own self-determination, desiring some solid *point d'appui* from which to step. Yet even so, it might be manageable. The profession of the law, as Inspired Church, is a familiar doc-

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trine, drawn perhaps from more august analogies. Revelation by continuous inspiration might at least fill the void. Alas, this too is denied us. While a community is in essential harmony, the unformed broodings of its bosom may indeed be delivered by a bench of judges, interpreters of a common *Zeitgeist*. But what if it be riven by contentions going to the very heart, and if the bench by birth and training be interested parties? How can such then be spokesmen of a harmony not realized, and perhaps not realizable? Let them beware of playing Procrustes. The decisive conflicts are not for their solution; they must be content to accept commands which may violate their dearest prepossessions.

Yet this is no counsel of irresponsibility. Life must be viewed *sub specie Puritanica*. Man is born to strive, perhaps to lose, but the wages of the great-hearted are secure, and they know it. Let them be at peace, if they will only fight manfully. These speeches do indeed teach the strenuous life. Am I only a weakling, or will others too miss in this the note of something more precious than "the cold passion of the Puritan"? They say the soul of Rabelais roams the earth gathering spirits for the Abbey of Theleme, those who are gay, nimble, courteous, feat, witty, amorous, simple, courtly, kind, pleasing, happy, genial, wise, humble, tolerant, joyous. Now the initiated tell us that among these there is none he has more certainly chosen than the captain of Antietam, young then and young now. Rabelais was indeed not a presentable person at a bar association or commencement exercises, but suppose he had rudely shouldered himself in once or twice. They would have been scandalized, and properly too, and yet, and yet—

LEARNED HAND.

NEW YORK.

The Case for Capitalism. By HARTLEY WITHERS. New York, E. P. Dutton and Company, 1920.—ix, 255 pp.

Hartley Withers is a great popularizer. He has an astonishing capacity for taking involved and difficult economic subjects and presenting them in a most entertaining way for the edification of the "general reader". His books on *Money Changing* and *The Meaning of Money* will be recalled in this connection. Of necessity the popularizer, striving for interest and lightness of style, makes serious sacrifices of depth and of thoroughness. Nobody could write more engagingly than does Withers, but his books have the faults of their

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qualities—they leave one always with the impression that while one has been given an admirably lucid introduction to a subject, the necessity for real study has just begun. *The Case for Capitalism* is a typical Withersian product. It dashes along most interestingly. It is full of good nature, and of friendly wit. There is not a dull page in it. But the touch is too light, the consideration too general and too sweeping—not to say superficial—to give one any sense of profundity or finality.

The book can be summarized in a page or two. Few are satisfied with all the aspects of the present system, but should we on that account simply "scrap it"? Progress depends upon increasing output and the question is, what system can assure this result. The greatest weakness of our present system is inequality. Its strength lies in the freedom of initiative for the individual, both as a producer and a consumer, and in the reward of effort according to value of product. In view of the fact that production requires not only manual strength and skill but also tools and material (namely capital) as well as skilful management and readiness to face failure, there is no justification for referring to the capitalist as a "thief". Capital does not rob labor of "surplus value" for the reason that so-called "surplus value" is mainly the product of capital. Furthermore, labor shares indirectly in surplus value, since capitalistic large-scale production involves enlarged output and lower prices. The achievements of capitalism are indicated in the greatly improved condition of the modern laborer as compared with the mediæval laborer and in the great increase in population that capitalism has made possible. What have the critics to offer as a substitute? State socialism would mean an intolerably dull and minutely regimented economic system that no free spirit could endure. Guild socialism, on the other hand, cannot be clearly defined by its advocates (who are themselves caustic critics of state socialism), while at the same time it seems to involve a ridiculous amount of economic and political confusion and contradiction. The hope for humanity lies in a rejuvenated capitalism. Of course, were the capitalists to insist upon building up monopolies and upon neglecting the legitimate aspirations of the workers, they would simply doom capitalism to an untimely death. But with the enlightenment of capitalistic selfishness and with the development, through coöperation, of a broader capital ownership among workmen themselves, the present system, with its free initiative and wholesome competition, is likely to bring us as close to the millennium as mortal man can ever hope to get.

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This suggests little that is new or unfamiliar. It might even be questioned whether a book supplying only such material were worth writing at all. But considering that it was Hartley Withers who wrote it, the verdict would be in the affirmative. It will probably stimulate in many an interest in economic reform, and, despite its title, may ruffle the complacency if not the consciences of the smugly contented special beneficiaries of capitalistic organization.

E. E. AGGER.

COLUMBIA UNIVERSITY.

Employment Methods. By NATHAN W. SHEFFERMAN. New York, The Ronald Press Company, 1920.—xx, 573 pp.

Training Industrial Workers. By ROY W. KELLY. New York, The Ronald Press Company, 1920.—xxi, 437 pp.

These two manuals on personnel work are designed for the business man, not the scholar. The first aims to discuss the proper methods of selecting the worker and of assigning him to the niche for which he is best fitted, while the second is supposed to center its attention upon his training. Despite this assigned division of labor, there is much overlapping and duplication of material between the two volumes, especially on such matters as trade and psychological tests, transfer and promotion, rating scales, and collective bargaining. Mr. Shefferman's work is largely a re-threshing of familiar material the value of which is greatly enhanced by a profuse use of forms. There is an undue amount of repetitive material, Part IV dealing with topics already largely covered in Parts II and III. One rises from the book with the feeling that either Mr. Shefferman or the publishers spread the material somewhat thin and that the value of the book would have been greatly increased had it been compressed within half its present space.

Mr. Kelly had the opportunity to do a significant piece of work. Save for Allen's *The Instructor, The Man, and the Job,* there was no good book upon the subject to which he addressed himself. The present volume spends a great deal of attention upon the apprenticeship system and upon various training plans conducted outside the industrial establishment, but devotes only three brief chapters to the training of workers by the establishment itself. Two of these chapters, moreover, concern themselves with the training of foremen and minor executives rather than of the rank and file of workmen. This

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misplacing of emphasis is all the more remarkable in a book designed for business readers. While much of his discussion is valuable, Mr. Kelly, in common with most educators, unduly emphasizes school training given away from the job. Recent experience seems to indicate that supervised training on the job itself is a far more valuable way of acquiring trade competence. The failure on the part of most schoolmen and employers to appreciate this principle has given a somewhat false emphasis to vocational education, both without and within factory walls.

Both of these books will probably justify their existence in the use that will be made of them by men who otherwise would read little or nothing about personnel work. One cannot help wishing, however, that workers in the field would abandon the attempt to make two books grow where one grew before and instead center their efforts on specific research in the myriad of unexplored fields. Personnel work at present is suffering from a plethora of publicists and promoters, but there is a great dearth of investigators and students.

PAUL H. DOUGLAS.

UNIVERSITY OF CHICAGO.

Applied Eugenics. By PAUL POPENOE and ROSWELL HILL JOHNSON. New York, The Macmillan Company, 1918. — xii, 459 pp.

A fair portrayal of the present status of eugenics, revealing the shortcomings as well as the claims and the virtues of this relatively new field of social science, is to be found in this short but comprehensive treatise by Popenoe and Johnson. To the intelligent layman, the book will be welcome as a readable and interesting general introduction to the problems of eugenics, albeit the subject is clothed in technical terminology, charts, figures and all the other paraphernalia which make up the garb of science. Such scientific apparel, however, fails to conceal an emotional fervor, an intense zeal, which must surely make objective scientific judgments difficult.

With all the assurance of enthusiastic converts, the authors confidently apply the principles of eugenics to the solution of the most varied social problems. For instance, in one chapter of forty pages the following questions are reviewed, in the order given: taxation, the back-to-the-farm movement, democracy, socialism, child labor, compulsory education, vocational guidance and training, the minimum wage, mothers' pensions, housing, feminism, old-age pensions,

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the sex-hygiene movement, trade unions, prohibition and pedagogical celibacy. A rather bewildering and uneven list! No doubt the unevenness is less disconcerting when viewed from the high vantage-point of eugenics. According to eugenic standards, the authors seem to imply, the initiative and referendum cannot be given a clean bill of health (p. 361). A reader ignorant of the ramifications of the subject might imagine that old-age pensions, being given to those who have passed the child-bearing period, were not legitimately related to eugenics; on the contrary, it appears that old-age pensions are pernicious. Without such pensions, a son burdened with the support of his aged parents would have to restrict the number of his own children—a highly desirable result by eugenic canons. With pensions granted by the state, "the economic pressure would be taken off these inferior families and the children would thus be encouraged to marry earlier and have more children"—a socially undesirable consequence, according to the eugenists. Should one, therefore, and for this reason alone, oppose old-age pensions? By the time one has read 380 pages of eugenical doctrine, the momentum of argument has become terrific, and the reader is almost persuaded.

It may be questioned, however, whether social problems should be made to revolve on the one issue of eugenics. There are two big factors in society; one is biological and the other cultural. The eugenists not only over-emphasize the biological, but it is thought that they do not give sufficient credit to the stability of the race factor. And they certainly seem to have only the slightest conception of what culture is and little or no understanding of how it grows or of its potency. The culture of a people is quite naïvely seen as the product of the biological ability of the people (p. 284); apparently there is no recognition of cultural diffusion; no appreciation of the historical factor; no admission that inventions depend on the existing status of culture as well as on ability. Consider this sentence: "A race of nothing but mediocrity will stand still, or very nearly so; but a race of mediocrities with a good supply of men of exceptional ability and energy at the top will make progress in discovery, invention and organization, which is generally recognized as progressive evolution" (p. 293). Culture and race are certainly confused in this sentence. What is meant by a race standing still? Is it meant that there is no biological change through mutations? Or is it meant that the culture or civilization stands still? How could this be a race of nothing but mediocrity? Is this denying variation? Does not variation in biological measurements quite gen-

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erally conform to the normal-probability curve? In some cultures "a good supply of men of exceptional ability and energy" may discover, invent and organize. But in others they may not. It depends a good deal on the state of the culture. In some cultural situations, generations may pass and there may be no inventions. On the other hand, with a constant race factor, that is, the average and variability remaining the same over many generations, there may be discoveries, inventions and new organizations in abundance. Eugenics cannot be fairly estimated without a generous consideration of the cultural factor.

WILLIAM F. OGBURN.

The Frontier of Control: A Study of British Workshop Politics. By CARTER L. GOODRICH. New York, Harcourt, Brace and Howe, 1920.—xvii, 277.

Mr. Goodrich's book offers a picture of the actual range and extent of control by the English workers over such matters of workshop procedure as employment, discharge, promotion, selection of foremen, methods of payment, introduction of technical changes, and the like. The picture is timely, useful and well presented. It comes to this:

> If the question is how much positive control?—and this question is of importance as marking the newest Frontier of Control—the answer can be given in a very few instances, of which the staffing of shops and choice of foremen by the Stuff Pressers, the work of the labor-directors at Dawson's, and the insistence by a few miners' output committees on specific improvements in management, are the most conspicuous. If the question is how much contagious control?—and this question is important for any guesses about the future—nearly half the cases mentioned, including some of the more striking forms of positive control and the greater part of the negative control covered by the phrase "the right to a trade", must be ruled out as having little bearing on the moving tendencies in the great industry.

The conclusion thus is that there has not been any extended concession to the rank and file of control over matters of personal adjustment or personnel procedure. Mr. Goodrich is not engaged in philosophizing, however, so that no attempt is made to answer the question: Why is it that with a labor movement of the proportions, strength, and maturity of the English movement so little has been done to secure self-determination in the shop? One wonders if the meager results are due less to aggressiveness than to an actual doubt

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as to how all these matters which we in this country are coming to speak of under the general designation of personnel administration, are best handled. Conceivably there is a technique which might helpfully govern the conduct of a discharge, for example, and the mere arbitrary insistence of a strong union upon reinstatement would admittedly solve nothing.

Mr. Goodrich leaves the reader to draw his own conclusions from the facts. But in so doing he leaves a major part of the task of elucidating the meaning of his findings to others. To the present reviewer, the meaning seems all too plain. English labor is to a large extent in the same boat with the rest of the workers under the present industrial system. It is handicapped by a lack of experiment, free inquiry and faith in human nature, which are necessary to the building up of a more democratic technique of shop conduct, control and good order. The outcome, I believe, cannot be considered wholly in terms of control and of the balance of power, important as those elements are. The problem of workshop politics is created in part by the bargaining power of the politicians, but even more by our failure to realize that there is a science and art of human relationships which is learned only as we study human nature and the actual results of different types of group organization. Mr. Goodrich's book carries us successfully to an understanding of the "political" phases of his problem. Yet it all but ignores the undeniable fact that matters of corporate contact and adjustment may be controlled by scientific considerations as well.

ORDWAY TEAD.

NEW YORK CITY.

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SUPPLEMENT

RECORD OF POLITICAL EVENTS

[From July 1, 1920, to June 30, 1921]

BY

HARRY J. CARMAN

AND

ELMER D. GRAPER

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RECORD OF POLITICAL EVENTS

[From July 1, 1920, to June 30, 1921]

I. INTERNATIONAL RELATIONS

In an effort to settle the vexing nationalistic and imperialistic problems which have arisen in connection with the peace treaties, the series of **Allied conferences** inaugurated last year (*cf.* last RECORD, p. 11) were continued during the period under review. **In Brussels,** on July 2, the Allies tentatively agreed that the German indemnity should be $30,000,000,000 payable $750,000,000 annually for the first five years and $1,250,000,000 each year thereafter; it was expected that interest charges would double the total. No agreement was reached, however, as to the manner of distribution. Italy held out for twenty per cent and Rumania demanded a share which the Great Powers were unwilling to allow. Shortly afterwards the Allied premiers with their staffs and a German delegation headed by Chancellor Fehrenbach met in a conference **at Spa,** July 5-16, to discuss four important questions, namely: German disarmament, punishment of war criminals, indemnities, and German coal deliveries. The first sessions were devoted to **disarmament.** The Allies insisted that Germany comply with the terms of the Versailles Treaty providing for reduction of her army to 100,000 men. Chancellor Fehrenbach, after citing the dangers that beset the German Republic in the form of great industrial unrest and communist and monarchist disturbances, pleaded for an extension of time (fifteen months), which the Allies refused to grant. On July 9 a compromise was effected, the Germans agreeing to dissolve the *Sicherheitswehr* and *Einwohnerswehr*, to cause the immediate surrender of concealed arms, to convert the *Reichswehr* into a small regular army, to abandon every form of compulsory military service, and to observe faithfully the other military and aviation clauses of the Treaty. The Allies consented to extend the time for reduction of the army to January 1 but demanded that the army should not exceed 150,000 men on October 1; they also gave permission to Germany to keep forces in the neutral zone and promised aid in preventing arms from being smuggled in from the occupied area. As a guarantee for the fulfilment of this agreement the Allies reserved the right of military occupation of the Ruhr or other German territory. As to the trial of **German war criminals,** the German Minister of Justice, Karl Heinze, admitted that because of insufficient evidence little had been accomplished, and that in order to obtain the desired

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results Allied coöperation was necessary. After deliberation, permission was given to Germany to send representatives to France and England for the purpose of collecting evidence. The last days of the session were taken up with problems of indemnity and coal deliveries. The **German plan for indemnity** was not accepted; it asked that the amount of reparation be fixed definitely and that annual, but not necessarily equal, payments extend over a period of thirty years. To enable Germany to meet her obligations, the plan proposed Allied aid in the form of food, fodder, fertilizers and raw materials. A detailed scheme for the establishment of an international syndicate to rebuild devastated France, the cost to be borne ultimately by Germany, was also set forth. The proposal concluded by stating Germany's willingness to make deliveries of such materials as were possible and requested credit therefor on her reparations account. The discussion on **coal deliveries** threatened to disrupt the conference; Germany's claim that 1,100,000 tons per month was her utmost capacity was rejected by an Allied ultimatum demanding 2,000,000 tons per month. The German delegation, fearing an invasion of the Ruhr district, reluctantly yielded on July 16. By the terms of the protocol Germany undertook to deliver 6,000,000 tons of coal to the Allies by November 15; failing this, the Allies were to occupy the Ruhr or some other German territory. The coal was to be credited against reparations and five gold marks per ton was to be paid by the Allies for the purchase of food for the German miners. The Allies agreed to set up a mixed commission at Essen for the purpose of studying local conditions and to improve the food, clothing and housing of the miners; they also consented to a mixed commission, with German representation, to deal with the allotment of the coal output from Upper Silesia. On July 22 the German state presidents in conference decided to comply with the Spa agreement. In the meantime the Spa representatives of Great Britain, France, Italy, Japan, Belgium and Portugal had **apportioned the reparations** as follows: France, 52 per cent, British Empire 22 per cent, Italy 10 per cent, Belgium 8 per cent, Japan and Portugal ¾ of one per cent each; the remaining 6½ per cent to be reserved for Jugoslavia, Greece and Rumania. With Germany disposed of for the time being, the premiers turned their attention to the Turkish and Polish problems. **Turkey** objected to the treaty (*cf.* last RECORD, pp. 9-10) and sought modification of the clauses dealing with Thrace and Smyrna (*cf. infra*, p. 3). The Allies refused to alter the treaty and on July 17 gave the Ottoman authorities, under threat of ejection from Europe, ten days in which to sign it. This period was further extended because of the serious differences which had arisen between Greece and Italy over the disposition of Albania, Adalia and the islands of Dodecanese. In the summer of 1919 Italy and Greece entered into a special convention defining their

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aspirations with regard to the Balkans and the Orient. It was then agreed that if Greece did not realize her aspirations in Thrace or if Italy failed to acquire a mandate for the valley of the Meandro and Adalia, the convention would be void. When Greek troops crossed into Adalian territory, Italy, on July 22, denounced the convention; but a week later Greece expressed disapproval of the action of her troops and immediately the two governments arranged for a special military commission to delimit the Adalian boundary. They also entered into a second convention which designated the Dodecanese as Greek, with the exception of Castellorizzo and Rhodes, possession of which will be determined by a plebiscite at the expiration of 15 years. This protocol, together with the **Turkish treaty**, was signed at Sèvres on August 10. Serbia and the Hedjaz declined to sign, the former because she was required to pay a quota of the Turkish debt pertaining to territory awarded to her by the Treaty of Bucharest in 1913; the latter because of the French mandate over Syria (*cf. infra*, p. 7). Two factors of prime importance in connection with the Russo-Polish situation were considered at the Spa meeting, Allied trade with Russia and the **Russo-Polish war** (*cf. infra*, p. 85). Even before the conference assembled, the Soviet troops were pushing back the armies of the Polish Republic; the Poles in their despair officially appealed, July 6, to the Spa representatives for military assistance. In declining to give aid Mr. Lloyd George stated that four months previously the Poles had been warned by England against carrying on aggressive war with the Bolsheviki, and suggested that the best course for Poland now was to make peace. On July 11, however, after further diplomatic parley between the British and French premiers, the Allies, through the medium of Great Britain, dispatched a note to the Soviet government asking that it conclude an armistice with Poland subject to the condition that the Polish troops retire behind Poland's legitimate boundaries. It further proposed that, following the armistice, a conference of all the border states be held for the purpose of fixing boundaries. The note declared that should Russia refuse an armistice and attack the Poles within their proper boundaries, the Allies would then give Poland their assistance. The negative reply to this proposal, under date of July 18, was received too late for consideration at Spa. In the main it signified Russia's desire to negotiate directly with the Poles and opposed a general conference on the ground that Moscow had already made peace with the smaller border states. Lord Curzon's reply, July 20, stated that the Polish government had been urged by the Allies to initiate armistice negotiations; if Moscow refused and the Soviet armies continued their advance, the British government and its Allies would assume that it was the intention of the Soviet government to make war upon the Polish people, in which event the Allies promised their support

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to Poland. Even more significant was Lord Curzon's intimation that negotiations for resumption of trade between Russia and the British Empire would be held in abeyance until the Russo-Polish difficulty had been adjusted. Within a week Tchitcherin informed the British Foreign Office that the Soviet government was agreeable to a conference, not between Russia and the border states, however, but between Russia and the Great Powers, for the purpose of concluding a general peace. As a preliminary to such conference Moscow demanded the surrender of General Wrangel, and to discuss this point the Allied premiers held a **conference at Boulogne** on July 27. Millerand, refusing to be won over by Lloyd George, opposed the Tchitcherin plan and was disposed to agree to a conference if it were clearly understood that Poland, and Poland alone, should fill its agenda and that all the border states should participate in the discussion. Accordingly Great Britain forwarded a note to Moscow, incorporating the objections of the French premier to Russia's plan and expressing the opinion that if any conference were held the matter of Poland should be the first subject discussed. — Incidentally at the Boulogne conference a decision was reached whereby the Spa **coal agreement** (*cf. supra*, p. 2) was to be financed through the Reparations Commission. — Pending negotiations for an armistice between **Russia and Poland,** the Entente on July 30 advised Warsaw that the Allies would not permit Poland to accept any Soviet arrangement involving the complete or partial disarmament of Poland, a change in government dictated or brought about by the Soviets, acceptance of a boundary line less favorable than that originally drawn by the Peace Conference, or the use of Poland as a "bridge" in any sense between Russia and Germany. The following day Moscow's reply to Lloyd George's Boulogne note was received. Though conciliatory in tone, it reviewed the Polish matter, charging the Poles with being responsible for the delay in the armistice negotiations, and indicated, by way of reply to certain Allied trade queries, that trade with Russia was an impossibility until the Soviet government was recognized. Additional correspondence between London and Moscow and numerous conferences between Lloyd George, Kamenev and Krassin resulted in a **British ultimatum** to the Soviet authorities to declare a ten-day truce with Poland. Moscow's refusal to comply came as a serious blow to the British premier's peace efforts and led directly to an Allied **conference at Hythe** (Lympne), August 9-10, at which a decision was reached to the effect that should the Russo-Polish negotiations then under way at Minsk fail, the Allies would at once adopt the following program (in the case of Great Britain to be subject to the approval of Parliament): stringent economic blockade of Soviet Russia, aid to General Wrangel, and assistance to Poland in the shape of supplies, naval support, military advice and guidance; no Allied

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troops, however, were to be sent to Poland. That Allied unanimity at Hythe was more superficial than real, and that **France and Great Britain** were quite at odds on the matter of Russian policy, was evidenced by subsequent events. France on August 11, without consulting Great Britain, recognized General Wrangel; two days later, in a communication to the American State Department, she expressed agreement with the American note to Italy refusing to recognize the Soviet government (*cf. infra*, p. 90); at the same time she was rushing munitions, officers, and supplies to the hard-pressed Poles. When Sir Reginald Tower, High Commissioner of Danzig, in an effort to avoid serious trouble between the Germans and the Poles and in order to observe strict neutrality, in accordance with a resolution of the Assembly of the Free City, forbade transportation of these supplies through the city, France made a vigorous protest. Again on August 13 she expelled the two delegates of the British Labor Council of Action, Adamson and Gosling, who had been sent to confer with representatives of French labor in an attempt to prevent Allied war against the Soviets. This lack of harmony between the two governments was again clearly demonstrated in their advice to Warsaw relative to the Soviet peace proposals transmitted on August 10 to Poland through London. Moscow, while recognizing Poland's independence, demanded the reduction of the Polish army to 60,000, the prohibition of war imports, the Curzon line as the eastern Polish boundary, and free transit through Polish territory. France advised refusal of the offer and continuation of war; Britain, while making no suggestion that the Poles should not seek a modification of the proposals, warned Poland that it must not expect British military aid to better the Soviet terms. Anglo-French relations, strained as they were, soon began to improve. By August 20 the Poles were on the offensive (*cf. infra*, p. 85); France had agreed to withhold sending troops to the aid of Wrangel and the Moscow government, by amending its original peace terms so as to make sovietization of Poland practically compulsory, had offended Great Britain. To improve the situation further the British and Italian premiers, in **conference at Lucerne,** August 23, adopted proposals to be submitted to France calling for Allied action to secure Poland her full rights under the Versailles Treaty; at the same time they agreed that until Moscow abandoned her intention of imposing Bolshevism upon Poland by force they would neither acknowledge nor deal with Soviet Russia. This step, most agreeable to France, was supplemented the following day by a quasi-ultimatum from London to Moscow charging the latter with bad faith and giving it, under threat of complete severance of British-Bolshevist relations, until August 27 to withdraw those provisions of its peace terms so humiliating to Poland. In acquiescing, the Soviet authorities left the door open for further trade

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negotiations with the British government. It was not until October 12 that a **Russo-Polish armistice** was concluded; the **treaty of peace** was signed on March 18. — On February 19 a defensive **alliance between Poland and France** was concluded; mutual approval of policies affecting Continental and particularly Eastern Europe, as well as mutual assistance in economic reconstruction, were provided for by the treaty. — Another attempt to strengthen Allied amity was made by M. Millerand and Signor Giolitti in a **conference at Aix-les-Bains,** September 13-14, where not only Franco-Italian relations but the general European situation was discussed. This resulted in a substantial agreement to the effect that real world peace could come only through the harmonious concert of Italy, France and Great Britain together with the equitable and sincere fulfilment of the various treaties which ended the World War. On the questions of policy toward Soviet Russia and admission of Germany to the League of Nations, the Italian premier failed to win Millerand over to the Lloyd George point of view.—By warmly supporting Poland, by reaching an amicable understanding with Italy, by recognizing Wrangel and by refusing to accept the British point of view toward Russia, Millerand adhered to the policy, so consistently followed since the Great War, of making France supreme upon the Continent. It was to this end that in July a **defensive alliance between France and Belgium** was negotiated, the latter reserving the right to remain neutral in all disputes between France and other nations respecting French colonial possessions. — Both France and Italy took more than a passing interest in the formation of "**The Little Entente**", a defensive alliance entered into between Czechoslovakia and Jugoslavia on August 14 and adhered to by Rumania shortly afterward; efforts to induce Poland to join were nullified on account of the dispute between the Czechs and Poles respecting Teschen (*cf.* last RECORD, p. 127). By the terms of this treaty the three parties pledged themselves to support each other against an unprovoked attack by Hungary. Rumania, however, expressly stipulated that **Adriatic questions** should not concern the alliance and that Jugoslavia must not expect help in any controversy with Italy. This reservation was quite unnecessary, as the long conflict between the two countries, concerning Fiume and the Adriatic littoral, was finally adjusted on November 12 when a treaty was made at Rapallo, Italy. According to its provisions, Fiume was made an independent city linked by a "corridor" to Italian Istria; the famous Monte Nevoso and the St. Peter railway station on the Istrian frontier were awarded to Italy; the Istrian boundary was redrawn in order to give greater justice to Slav populations; Zara was placed under Italian suzerainty; the strategic islands of Cherso, Lussin and Unie were given to Italy; and the rest of Dalmatia, including the portion assigned to Italy by the Treaty of London, was transferred

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to Jugoslavia.—A considerable stir in world politics was occasioned on November 5 by the publication of the terms of an **Italo-Franco-British agreement** for maintaining respective spheres of influence in Asiatic Turkey. This pact, secretly signed at Sèvres on August 10, the date of the Turkish peace treaty, defined the areas of special interest to France and Italy; it assigned to France the Syrian and Cilician coasts, the hinterland extending across the middle reaches of the Euphrates through southern Kurdistan to the undefined frontiers of Armenia, omitting Mosul, which was presumably assured to the British. Westward of the French sphere, between Cilicia and the coast facing Rhodes, Italian interests were recognized as supreme, and the right was reserved to Italy to exploit the Heraclea coal basin. The British sphere was not defined, but the implication was that it included the remainder of the old Turkish Empire in Asia. While the agreement did not take the form of an alliance, it nevertheless pledged the contracting powers to render diplomatic support to each other in maintaining their respective positions in their particular zones of interest. The Mersina-Tarsus-Adana railway and that part of the Bagdad railway lying in Turkish territory, as defined by the treaty with Turkey, was to be operated by capital furnished equally by British, French and Italian financiers. In this connection the French government had the privilege of exchanging its rights in the Bagdad railway for the exclusive exploitation of railroads within its area of special interest. Subject to the Sèvres treaty, an open-door policy was to be maintained in all the spheres of influence; this treaty, however, was not ratified and during the year under review the whole Near Eastern situation apparently became more complicated.—The **conference of Allied premiers at London,** convened on November 27 and continued throughout the first week of December, for the purpose of taking action relative to the overthrow of Venizelos and the return of Constantine to Greece (*cf. infra*, p. 96), accomplished little aside from dispatching notes freighted with warnings and threats; the meeting, however, did disclose the divergent interests and opinions of the Allies. France sought two things: an Allied vote for immediate action to prevent Constantine's return, and peace with Turkey. To accomplish the latter she advocated a revision of the Sèvres treaty and stood ready not only to sacrifice Greek claims in Smyrna but to modify her own claims in Cilicia. It was rumored that Mr. Lloyd George in opposing both of these measures sought to retain Britain's grip on Constantinople by strengthening the bonds of Anglo-Hellenic friendship; certain it is that he informed the conferees that he would wait on events before taking precipitate action. Italy, although opposed to Greece as her commercial and imperialistic rival, voted with England on this occasion.—The Near Eastern question again came up for discussion when, by invitation of the Powers,

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delegations from Greece and the two rival governments of Turkey met with the **Supreme Council in London,** February 21–March 12, to consider the advisability of **revising the Sèvres treaty.** As a result the Allies on the last day of the conference handed to the Greek and Turkish representatives the following proposed modifications: exclusion of the eastern shores of the Sea of Marmora from the demilitarized zone; withdrawal of the Allied troops from Constantinople as soon as the Powers were satisfied as to the good faith of the Turks; Turkey to have two votes instead of one on the Straits Commission, and the right to vote, as well as to advise, on the Financial Commission; the Sultan to have sovereignty over Smyrna on condition that he respect its rights and liberties and grant local autonomy to each nationality of its population; the Greeks, however, retained the right to keep a garrison in the town of Smyrna. The other provisions of the Sèvres treaty were not changed and the above proposals, with slight modification, were acceptable to both Constantinople and the Kemalists but were rejected *in toto* by the Greeks. In the meantime, on March 9, a **secret treaty** had been made by M. Briand and representatives of the Angora government by the terms of which an immediate peace was declared; France in return for extensive economic concessions agreed to withdraw from Cilicia, and the boundary between Syria and Turkish territory as arranged in the Sèvres treaty was altered. On March 12, the last day of the London conference, Italy also concluded a secret pact with the Turkish Nationalists, pledging herself to support the Turkish demands for the restitution of Thrace and Smyrna. In return for this and the withdrawal of all Italian troops from Ottoman territory, Italy is guaranteed certain economic concessions and monopolies, including right of priority in the coal basin of Heraclea. It was in the face of such odds that Constantine launched his unsuccessful offensive on March 20 in an attempt to enforce the unratified Sèvres agreement of August 10 (*cf. infra,* p. 96). A second offensive was about to begin when on June 19 the Entente, after a two-day conference at Paris, suggested that Greece delay military operations and consent to a peace with Mustapha Kemal as arranged by the Allied Powers; this offer has not as yet been accepted.—The Russo-Polish and Near Eastern problems seem to have been hardly less perplexing and vexatious to the Allied Powers than those relative to Germany and Austria. After the Spa Conference the question of German disarmament continued to be the subject of numerous notes between the Entente Powers and the German government; negotiations relative to **reparation** were also continued. At a conference of Allied and German economic experts, held at Brussels, December 16-21, Germany after outlining her financial status submitted a reparation plan which did not differ materially from one proposed by her at the Spa Conference. She also sought

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to arrange for credits totaling 6,000,000,000 gold marks with which to purchase food and raw materials. After debate on sequestration of German property abroad, the conference adjourned, the German representatives taking with them a list of Allied suggestions for certain economic reforms. In the hope of disposing of the reparations problem, as well as the question of disarmament, another Allied **conference** was called **in Paris,** January 24-29. To the French demand that the total indemnity be placed at 400,000,000,000 gold marks, Lloyd George vigorously objected and was duly supported by Italy. After three days of heated debate the following decision was reached: Germany was to pay the Allies within a period of 42 years the sum of 226,000,000,000 marks or its equivalent, payments to be made on a sliding scale of annuities of from 2,000,000,000 to 6,000,000,000 marks; Germany was to pay during the 42 years an annual tax of 12 per cent on the total of her exports; she was also to revise her interior fiscal system, balance her budget, curtail the issue of paper money, increase her taxes generally, raise the imposts on alcohol and tobacco, and increase her railroad fares and postal rates; finally, Germany was forbidden to make foreign loans without Allied approval. In the event that Germany should not fulfil these conditions the Allies were to have the right to seize the German customs, levy taxes on the Rhineland, exercise financial control over Germany, and impose military penalties. At this meeting the Allied premiers also adopted the Reparation Commission's proposal that German **coal deliveries** be increased to 2,200,000 tons per month with no further premiums on ordinary coal but an allowance of two gold marks per ton for coal of special quality. The 500,000 tons which the Germans had failed to deliver under the Spa agreement (*cf. supra*, p. 2) were also to be made up. In regard to **disarmament,** the Conference gave the Germans until July 1 to comply with the Spa agreement (*cf. supra*, p. 1). As a final word, it invited the German authorities to send delegates to a meeting of the Allied premiers to be held in London, February 28, to discuss ways and means for fulfilling these terms. The Paris Conference had scarcely concluded its sessions before its work became the object of bitter attack; the German government frankly asserted that it would resist to the death the Allied terms, and in this declaration it was supported by national sentiment; it consented, however, to attend the **London Conference** on the supposition that it would be allowed to present counter proposals which would receive consideration. According to these proposals, submitted by Dr. Simons on March 1, the German government offered to pay a total indemnity of 50,000,000,000 gold marks, deducting 20,000,000,000 for payments already made. This offer, however, was conditional on the favorable outcome of the Upper Silesian plebiscite, German freedom from all commercial restrictions, permission to make payments in

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five-year instalments, and also on Germany's success in raising the necessary funds to make payments at the specified time. In reply the Allied premiers delivered an **ultimatum** requiring Germany to accept their reparation demands within four days, or submit a settlement approximating them, under penalty of Allied occupation of German territory. As no satisfactory answer was received, French troops on March 8 occupied the German cities of Düsseldorf, Duisburg and Ruhrort in the heart of one of Germany's greatest industrial regions. This move was accomplished without incident and had no apparent effect upon the German attitude of refusal. Matters were not improved when on March 16 the Reparations Commission demanded that Germany pay 12,000,000,000 gold marks before May 1, one billion of which was to be paid by March 23, but on this last-mentioned date Germany replied that she did not owe this amount, and could not pay it if she did. Their patience exhausted, the Reparations Commission and Allied premiers at once took steps to devise means to compel the Germans to comply with their demands, France finally declaring that with or without the support of her allies she would occupy the whole Ruhr district by May 1 unless the Germans unconditionally accepted the terms of the London conference. Lloyd George was reluctant to proceed to this extremity and the Italian spokesmen were in accord with him; it was largely at his suggestion, therefore, that a scheme to levy a 50 per cent *ad valorem* duty on all German goods coming into any of the Allied countries, to be paid by Germany, was adopted. Each country was to formulate and pass the necessary tariff law but it was understood that the sums collected should be pooled and divided as indemnity. This plan, inaugurated by England, France and Belgium, met with bitter opposition from the business men and its efficiency was largely nullified when Lloyd George admitted that Great Britain intended to keep all its own receipts until the British share of the indemnity had been liquidated.—Meanwhile, with the apparent hope of staving off intervention and securing more favorable terms, the German government, after having asked the United States to act as mediator, on April 24 requested it to pass judgment on a **new set of reparation proposals** as a basis of negotiation. On May 3 Washington advised Berlin that in its opinion these proposals, admitting German liability to the extent of 50,000,000,000 marks, did not afford a basis for discussion acceptable to the Allies.—Simultaneously with the submission of this new reparation scheme, a two-day **conference** of the Entente premiers **at Hythe** came to an end. At this meeting the German problem was reviewed in detail and a tentative program for the enforcement of the Allied terms was agreed upon to be submitted to the Supreme Council.—The **Allied Council** assembled **at London,** April 30, on the eve of the threatened French invasion and, after six days of deliberation, dis-

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patched an ultimatum to Germany incorporating, among other things, a new reparation offer. The conditions which the Germans were to accept without reservation by May 12, under threat of the invasion and occupation of the Ruhr, were, briefly, as follows: disarmament in accordance with the Versailles Treaty, trial of war criminals without further delay, immediate payment of the sum due May 1 which the Reparations Commission had already called upon Germany to make, and acceptance of indemnity terms as outlined by the Reparations Commission. Under this new arrangement the total bill against Germany was fixed at 132,000,000,000 gold marks ($33,000,000,000); $12,500,000,000 must be paid in bonds bearing 5 per cent interest, $3,000,000,000 by July 1, 1921, and $9,500,000,000 by September 1, 1921. To provide for interest and a sinking fund of one per cent on these bonds, Germany was to pay annually $500,000,000 (2,000,000,000 gold marks) in two instalments plus a levy of 25 per cent on all her exports. For the remaining $20,500,000,000 Germany was to turn over to the Reparations Commission blank bonds to be issued by the Commission at such times as the return from the export tax should warrant. To furnish a nucleus for a fund an additional one per cent was levied on Germany's foreign trade. Confronted with French occupation of the Ruhr, **Germany yielded to the Allied ultimatum** on May 10, when the Reichstag voted 221 to 175 in favor of acceptance. On the following day the Wirth cabinet, which in the crisis had succeeded the Fehrenbach ministry (*cf. infra*, p. 80), notified the British premier of the German decision.—In the course of the year **two important plebiscites** have been held. On October 10 the **Klagenfurt** section of Lower Austria decided by a vote of 22,025 to 15,278 to remain under Austrian sovereignty rather than become a part of Jugoslavia. The latter, dissatisfied with the result, sent troops into part of the region but later withdrew them under threat of Allied action. The long-awaited and much-discussed plebiscite in **Upper Silesia** took place on March 20 under the surveillance of the Interallied Plebiscite Commission and some 30,000 Allied troops. While the vote gave the Germans a majority of approximately 255,000, no decision as to allocation of territory was made. Under the Versailles Treaty the Supreme Council had authority to divide the region according to the expressed wishes of the residents of the various communes. In the ten counties nearest to Poland the vote was 435,236 for Poland and 408,786 for Germany; by communes the result was 645 for Poland and 200 for Germany. In the six districts nearest to Germany the vote was 307,214 for Germany and 36,170 for Poland, and 582 communes decided for Germany against 60 for Poland. The vote showed that within the more populous Polish counties the important industrial cities, e. g., Königshütte, Beuthen, Tarnowitz and Kattowitz, were carried by the Germans by large majorities. France as the ally of

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Poland proposed to give the Poles the districts which they carried together with the German industrial centers, or two-fifths of the entire territory, including the greater part of the richest coal deposits of Europe. This division was stubbornly opposed by Great Britain and Italy, who proposed to award to Poland the counties of Pless, Rybnik and part of Kattowitz, where the Poles are in vast majority. Pending the Allied decision a grave international situation arose; rumors to the effect that the Allies would decide adversely to Poland caused serious uprisings, which finally culminated, early in May, in the seizure of the richest parts of the entire region by Polish insurgents. Under their leader, Adalbert Korfanty, former Polish High Commissioner of the plebiscite, they set up an independent government with Korfanty at its head. These acts aroused intense excitement in Germany and a protest was made to the Allied governments on May 5. Germany offered to aid the Allies in the suppression of the insurrection, but this offer was categorically refused by France, and soon after German irregulars under General Höfer came into conflict with Korfanty's forces. The situation thus created led almost to an open rupture between Britain and France. On May 13 Lloyd George, addressing the House of Commons, severely censured the Poles for seizing the disputed area and suggested the possibility of German assistance in suppressing the revolt; his speech was greeted with a storm of protest in France, Briand formally declaring that Poland and France had performed their full duty in restoring order; as to German intervention in Silesia, he insisted that France would never consent thereto. This tension was eased somewhat when a decision was reached to send Allied troops to restore order, and by June 18 both the German irregulars and the Polish insurgents had consented to withdraw. — On October 28 Rumania, Britain, France, Italy and Japan entered into a **treaty giving Bessarabia to Rumania**; Russia was not consulted and, under the terms of the covenant, will not be permitted to question the transfer even upon establishing a recognized government. — A controversy growing out of the ambitions and jealousies of **rival oil companies** resulted in an exchange of notes between **Holland and the United States.** On April 29 a bill passed the Second Chamber of the Dutch Parliament giving to Dutch interests the exclusive right of oil exploitation in the Djambi district of the island of Sumatra for a period of 40 years. America opposed this and demanded equal opportunity for Americans in Sumatra and elsewhere throughout the Dutch East Indies; this was emphasized on May 27 following an unsatisfactory reply from the Hague under date of May 10. The Dutch government refused to yield, declaring on June 21 that pledges on the Djambi field were given before Washington intervened. — The matter of **mandates** was also a subject of controversy during the year. The Allies assumed, after the failure

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of the United States to ratify the Versailles Treaty and send representatives to the League of Nations, that the Supreme Council possessed sole power to allocate mandates. On this dubious assumption an Anglo-French agreement for **exploitation of oil territories** of the Near East was entered into; the plan was made public on July 23 and the United States registered a protest on November 20, warning the Allies that mandates must not be allotted or defined without consulting the United States government, and arguing further for an open-door policy to all nations in mandate territory. The reply of the British government rejected this contention in so far as it pertained to Mesopotamia, declaring that it would not discriminate against its own nationals, some of whom had acquired monopolistic rights in Mesopotamia before mandates were conceived.—At the **International Congress of Communications** held in Washington, November–March, for the purpose of determining the disposition to be made of cables which had been taken from Germany and which the American representatives insisted should be internationalized, a controversy arose between the United States and Japan concerning the **island of Yap**, the terminus of important cable lines between the United States and the Far East. Japan, supported by Great Britain and France, declined to surrender absolute sovereignty over this Pacific territory, which the Supreme Council had assigned to her as mandatary. The United States refused to acknowledge this sovereignty, maintaining that it had never consented to the inclusion of Yap in the Japanese mandate, and in a note to the Council of the League of Nations, February 21, Secretary of State Colby asked that the matter be reopened in order that it might have a proper settlement. The Council on March 2 admitted the contention of the United States but declared the allocation of Yap to Japan had been the work of the Supreme Council. On April 6 the American government sent identical notes to Britain, France, Italy and Japan insisting once more that the failure of the United States to ratify the Peace Treaty did not deprive it of any rights in the disposition of the ex-German colonies. In their several replies the Powers, with the exception of Japan, tentatively accepted the American point of view but the matter is still undetermined.—Final arrangements for the **consortium loan to China** were completed at a conference of financiers from Great Britain, France, Japan and America, held in New York, October 11-15.—The sessions of the **International Postal Union Congress** were held in Madrid during the first week in October.—An **International Patent Bureau** was established at Brussels under a convention signed November 15 by France, Belgium, Brazil and nine other countries.

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II. AMERICAN RELATIONS

The long-pending **Commercial Travelers' Treaty** between the United States and Argentina was finally signed at Washington on October 22.—The **Third Convention of the Pan-American Federation of Labor** was held in Mexico City on January 10; resolutions were unanimously adopted for organizing the workers of the member states.—By a treaty signed on January 19 Guatemala, Salvador, Honduras and Costa Rica united to form a federated republic to be known as **The Federation of Central America.** Nicaragua, although represented at the conference which drafted the plan, refused to sign the treaty on the ground that she did not wish to impair her treaty-making powers in view of her arrangement with the United States regarding the proposed Nicaraguan Canal. Nevertheless she expressed good will toward the new federation and Article 20 of the treaty permits her admission at any time should she desire it. Under provisions of the preliminary agreement a provisional council is to meet at Tegucigalpa, Honduras, within thirty days after the third state shall have ratified the pact. This council is commissioned to call a Constituent Assembly to meet not later than September 15, 1921, which will have full power to draw up a permanent constitution based on the general principles laid down in the preliminary pact. The new state is to be governed by a Federal Council in collaboration with a Senate and a Chamber of Deputies. The councillors and deputies are to be chosen by popular vote; the senators, three in number from each state, are to be elected by the congress thereof. The federal judiciary is to be modeled after that of the United States; the federal government is to have jurisdiction over education, national finance and military affairs. The usual civil guarantees are to be included. The necessary ratifications had been made by April 8.—The **Tacna-Arica boundary** dispute (*cf.* last RECORD, p. 17), submitted to the League of Nations in November, is as yet unsettled. After it had been considered by both the Council and the Assembly, Peru served notice on December 15 that it would be withdrawn to be submitted again at the next meeting of the League Assembly, at which time it was hoped the United States would be represented.—John Barrett retired on September 1 after having served fourteen years as Director-General of the **Pan-American Union;** he was succeeded by Dr. L. S. Rowe, former Assistant Secretary of the Treasury.—As the representative of President Wilson, Secretary of State Colby, during December and early January, paid official visits to Brazil, Uruguay and Argentina. During his stay he extended an invitation to President Irigoyen of Argentina to visit Washington. **Secretary Colby's mission** was undertaken, it was reported, to allay Latin-American distrust of the motives of the United States, whose policies toward Colombia, Haiti, Santo Domingo

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and Mexico had aroused suspicion. The Secretary's trip was followed in January by a visit of the combined Atlantic and Pacific fleets to the west coast of South America.—An old **boundary dispute between Costa Rica and Panama** suddenly developed into a small war when, late in February, Costa-Rican troops invaded the territory in question. On February 28 Washington despatched notes to both belligerents expressing disapproval of the attempt to settle the dispute by force. Panama in reply expressed willingness to accept the good offices of the United States, but the reply of Costa Rica was unsatisfactory. Secretary of State Hughes, under date of March 5, while not suggesting mediation, conveyed the impression to both states that the United States was ready, if necessary, to enforce a peaceful settlement, and on March 7 both countries consented to mediation. In the meantime, as members of the League of Nations, they had been advised of their obligations. Possibility of League action was forestalled when, March 14, Secretary Hughes called attention to the fact that by a treaty made in 1915 Panama and Costa Rica had agreed to submit their disputes to the mediation of the United States. The decision of the United States in favor of Costa Rica proved unsatisfactory to Panama, but after an exchange of notes Washington issued an ultimatum giving Panama until May 16 to comply with the treaty agreement. Despite appeals of Panama to South-American nations to intervene in her behalf, and to the United States to reopen the matter, there seems to be little likelihood that any modification will be made. —After years of delay and bitter debate, the **Colombian Treaty,** by which the United States agreed to pay Colombia $25,000,000 for the loss of Panama, and also to give her free access to the Panama Canal, was ratified by the United States Senate on April 20 by 69 votes to 19.—The Swiss Federal Council on May 10 agreed to arbitrate the long-deferred **boundary dispute between Colombia and Venezuela.**— On November 13 **Brazil** concluded an important commercial treaty with Belgium.

III. LEAGUE OF NATIONS

At the invitation of the League Council, President Wilson on July 15 issued the call for the **first meeting of the League Assembly** to convene at Geneva on November 15.—In the meantime the series of Council sessions, the first of which was held in January, 1920 (*cf.* last RECORD, p. 12), continued. The **eighth meeting of the Council** was held at San Sebastian, Spain, July 30–August 5. Measures to insure the safety of travelers in Europe were discussed on the basis of a report from the Council of Ambassadors citing many complaints, such as extortionate prices, passport difficulties, confiscation of personal property, detention and even arrest of travelers; it was decided to summon representatives to a conference in an effort to harmonize

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the various state regulations. The plan of the Advisory Jurists Commission for the International Court of Justice was received and plans discussed for the organization of an International Blockade Commission and an International Hygiene Bureau. The meeting of the first International Financial Conference was fixed for September 24. A permanent commission was named to receive and examine the annual reports of the mandatory powers as to the administration of territory confided to them. The Council refused to act on the appeal of the King of the Hedjaz for the release of deputies in Lebanon on the ground that it had no authority until peace with Turkey had been effected. It was reported that the new office for the registration and publication of treaties and the International Labor Bureau were functioning. In the discussion of the budget it was decided to ask member nations to contribute £500,000 to defray necessary expenses. —At the **ninth meeting of the Council,** held in Paris, September 16-20, purchase of the League's headquarters, the Hotel National, at Geneva, was approved; the definite transfer of the districts of Eupen and Malmédy to Belgium was recognized after an investigation had been made of the protests filed by Germany; changes in the personnel of the Saar Valley Commission were ratified; a resolution calling upon Poland and Lithuania to cease hostilities was adopted; and action was taken to end the Aland Islands dispute between Finland and Sweden. — The **International Labor Congress** of the League met at Brussels on October 7, where it decided to create an international office of statistics, prices and quantities; this was done to meet the demands of the International Congress of Miners.—The **tenth meeting** of the Council, at Brussels on October 22, listened to a report on Armenia; following the refusal of the United States to accept the Armenian mandate, the question was referred to the League Assembly. Reports were also read dealing with Eupen and Malmédy, repatriation of prisoners, the campaign against typhus, and the expenses of the League's commissions. Subjects discussed were: the League's guarantee of the minorities clauses of the Austrian and Bulgarian Peace Treaties, constitution of the Permanent Mandates Commission, the Brussels Financial Conference of September 24–October 7, the Aland Islands, Lithuania and Poland, the constitution of Danzig and the Permanent Court of International Justice, the plan for which was adopted with the exception of the provision for obligatory jurisdiction and certain minor details. Upon the recommendation of the Financial Conference, which at Brussels had adopted resolutions urging all nations to reduce expenditures to the amount of their revenues, to reform currencies, to level trade barriers, to cut down armaments and to form an international credit association through the League, the Council decided to appoint a permanent commission of two sections, one financial, the other economic. The financial

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section was to be set up immediately to continue the work of the Financial Conference. The Council, for reasons not given out officially, did not act on the recommendation that an International Credit Association be appointed. It was decided to adjust the boundary dispute between Poland and Lithuania by means of a plebiscite. Before adjourning the Council approved the League budget for 1921 covering expenditures of $3,750,000; of this sum $1,250,000 was allotted to the International Labor Bureau and $300,000 for the Permanent International Court of Justice. When the **first session of the Assembly** was opened at Geneva on November 15 there were present 241 delegates, representing 41 countries; the United States, Germany and Russia were the only important countries not represented. Paul Hymans of Belgium was elected permanent president and the following were chosen as vice-presidents: Viscount Ishii of Japan, Honorio Pueyrredon of Argentina, Sir George E. Foster of Canada, Rodrigo Octavio of Brazil, H. A. Van Karnabeck of Holland, and Dr. Edward Benes of Czechoslovakia. To facilitate its work the Assembly named six commissions, each to discuss and report to the Assembly on an important subject. These six commissions with their respective chairmen were: Admission of New States, Antonio Huneus (Chile); General Organization, Arthur J. Balfour (England); Technical Organization, Tomasso Tittoni (Italy); Court of International Justice, Léon Bourgeois (France); Finances, Count Quinones de Leon (Spain); Disarmament, Blockade and Mandates, Hjalmar Branting (Sweden). —The question of **membership** became the subject of bitter debate when France objected to the admission of former enemy states. Upon recommendation of the membership committee, Austria and Bulgaria were admitted, as well as Finland, Luxemburg, Costa Rica and Albania. The applications of Georgia, Azerbaijan, the Ukraine, Esthonia, Latvia, Lithuania, Montenegro, Lichtenstein and Armenia were rejected.—The **discussion of amendments to the League Covenant** developed, from the nature of the proposed amendments, into a struggle between the large and small states, which led to the withdrawal of the Argentine delegation from the Assembly. Early in the session the Scandinavian countries proposed that small countries, adjacent to nations which began hostilities in defiance of the League, enjoy the right to continue trade and diplomatic relations in order to avoid a clash; that jurisdiction of the world court be compulsory; that regular meetings of the League Assembly be provided for; and that the four non-permanent members of the Council be elected by the Assembly one each year for a term of four years. The Commission on General Organization recommended that all amendments to the Covenant be postponed until the new American policy became known. Subsequently the Argentine delegates withdrew pending acceptance of the following motions: elections to the Council by the

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Assembly for two years with complete rotation every thirty years; compulsory jurisdiction by the world court; admission of enemy states without restrictions; and admission of undefined small states in consultative capacity without vote. — The plan for the **Permanent Court of International Justice,** with eleven judges to be elected by the Assembly and the Council, and to be effective upon ratification by a majority of the member nations, was adopted. Thirty-six states made a futile effort to make its jurisdiction compulsory, but Great Britain, France, Italy and Japan would not yield, declaring that they would not engage themselves to submit all disputes to the court.— The question of **mandates** developed into a bitter struggle between the League Council and the Assembly. The Commission on Mandates and Disarmament appointed a permanent Mandate Committee of nine members, five of whom were chosen from states holding no mandates; it also provided that in case of controversy the mandatary should be prohibited from voting with the committee. It was stipulated that each mandate-holding state must send to the committee annually a report which, after examination, the committee will submit together with its observations to the League Council. That the Mandate Committee had encountered difficulty was evident from its report to the Assembly, December 16, stating its inability, because of the opposition of the Supreme Council, to secure drafts of Class B and Class C mandates. Mandates for Class A (Turkey) had been submitted to the League Council, but that body refused to allow the committee to read the drafts except upon a pledge of secrecy. On December 17 drafts of Class C mandates were received by the Council, which, instead of submitting them to the Assembly's Mandate Committee for examination, sent them to press headquarters with the statement that they would not be changed except by decision of the Council. This action was defended by Mr. Arthur Balfour the following day in the course of debate on a report of the Mandate Commission. The Assembly by this report would force publicity upon mandataries and prohibit them from using the mandates either to increase their military strength or to exploit natural resources and compel them to adopt a system of liberal government for the mandated territories. Balfour declared that the Council alone, under the League Covenant (Article XXII), was responsible for the mandates; he was supported by M. Bourgeois of France. — Little progress was made toward a solution of the problem of **disarmament.** The commission in its report pledged the Assembly to try to obtain ratification of the agreement of 1919, limiting the traffic in arms, signed by all nations but ratified by Siam and Greece only. It denounced the private manufacture of arms, suggested an investigation, requested the Council to study the present status of armaments and set up a bureau of information in the secretariat. The resolution asking for no in-

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crease in armaments during the next two years was so coldly received by France and England that it was changed to a recommendation that the nations agree not to increase armaments and consent to a gradual reduction, preparatory to general and complete disarmament when conditions permit.—A League commission was established for the purpose of looking after the financially embarrassed nations of Central Europe and the Balkans. A country desiring to borrow money will advise the commission as to the internal assets it can pledge as security; the commission will value the same and authorize the applicant to issue gold bonds for the amount thereof. These bonds, guaranteed by both the Commission and the nation securing the loan, may be used for the purchase of imports. Other important matters in connection with the Assembly meeting included: the **election of China to the League Council** despite Japanese opposition; interpretation by the Assembly of **Article X of the Covenant** as constituting not an absolute territorial guarantee, but merely a protection against external aggression, so that the article would not apply to political or territorial changes produced by other causes; definite provision for use of the economic blockade against possible violators of the Covenant; arrangements for an international conference to plan effective measures against traffic in women and children; measures for the suppression of typhus and other epidemics; and a decision to send troops to the Vilna area pending a plebiscite (*cf. infra*, p. 99). —After the Assembly adjourned, the **Council** again resumed its meetings. Considerable secrecy surrounded its meetings at Paris, February 22–March 5, where the questions of mandates, particularly Yap (*cf. supra*, p. 13) and those of Class B, were discussed. Other topics considered included the Polish-Lithuanian question; the refusal of Switzerland to permit foreign troops, even those so ordered by the League, to pass through its territory; and disarmament. The United States was invited to send a representative to the next meeting of the Council. The agenda for the meeting which convened in Geneva on June 17 included amendments to the League Covenant, mandates, the Polish-Lithuanian affair, settlement of the Aland Islands question, the boundary dispute between Albania and Jugoslavia, protests of Germany against the presence of French troops in the Saar basin, and Polish complaints against the decisions of the High Commissioner of Danzig regarding the maintenance of Polish troops in the port. Prof. J. B. Moore, Elihu Root, Oscar Straus and Judge George Gray were invited to propose the names of four persons, not more than two of whom shall be Americans, for election as judges to the Permanent Court of International Justice.

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IV. THE UNITED STATES

THE ADMINISTRATION.—There were several important **changes in the administrative offices** during President Wilson's last eight months of office. Benedict Crowell's resignation as Assistant Secretary of War took effect on June 30. On July 29 William R. Williams was appointed to fill the vacancy. Franklin D. Roosevelt, Democratic candidate for Vice President, resigned as Assistant Secretary of the Navy on August 9. He was succeeded on August 26 by Gordon Woodbury. In October President Wilson named five of the seven members of the Shipping Board created by the Merchant Marine Act (*cf.* last RECORD, p. 57). Admiral William S. Benson was reappointed chairman. The other four named were Frederick Thompson, Gavin McNab, Martin J. Gillen and Theodore Marburg. The three last mentioned declined to serve and on November 13 five new men were appointed: Joseph N. Teal, John A. Donald, Chester H. Rowell, Guy D. Goff and Charles Sutter. On the same date Carl A. Mapes was appointed as Solicitor of Internal Revenue to succeed Wayne Johnson, resigned. On December 7 President Wilson transmitted to the Senate for confirmation a large number of nominations. The list included the name of John S. Williams as Controller of the Currency; Henry Jones Ford, James Duncan and Mark W. Potter as Interstate Commerce Commissioners; William S. Culbertson and Samuel W. McCall as members of the Tariff Commission; and David C. Wills as member of the Federal Reserve Board. Many of the nominations of the President were not confirmed by the Senate and the appointees served only till March 4 when the new administration came into office.—On March 4 Warren Gamaliel Harding was inaugurated President of the United States. The **President's inaugural address** was in the main a plea for a return to normalcy and for a policy of non-involvement in European affairs. The President said: "The recorded progress of our Republic, materially and spiritually, in itself proves the wisdom of the inherited policy of non-involvement in Old World affairs. Confident of our ability to work out our own destiny and jealously guarding our right to do so, we seek no part in directing the destinies of the Old World. We do not mean to be entangled. We will accept no responsibility except as our own conscience and judgment in each instance may determine."—After the inauguration the President appeared in person in the Senate and nominated the **members of his cabinet.** The following were nominated and promptly confirmed by the Senate in special session: Secretary of State, Charles Evans Hughes of New York; Secretary of the Treasury, Andrew W. Mellon of Pennsylvania; Secretary of War, John W. Weeks of Massachusetts; Attorney-General, Harry M. Daugherty of Ohio; Postmaster-General, Will H. Hays of Indiana; Secretary of the Navy, Edwin

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Denby of Michigan; Secretary of the Interior, Albert B. Fall of New Mexico; Secretary of Agriculture, Henry C. Wallace of Iowa; Secretary of Commerce, Herbert C. Hoover of California; Secretary of Labor, James J. Davis of Indiana.—Among the more **important nominations** made by President Harding during the first days after his inauguration were the following: Henry P. Fletcher, Undersecretary of State; Fred M. Dearing, Assistant Secretary of State; Robert W. Bliss, Third Assistant Secretary of State; S. Parker Gilbert, Jr., Nicholas Kelly, Eliot Wadsworth and Ewing Laporte, Assistant Secretaries of the Treasury; D. R. Crissinger, Comptroller of the Currency; Jonathan M. Wainwright, Assistant Secretary of War; Harry H. Billany, Fourth Assistant Postmaster-General; Theodore Roosevelt, Assistant Secretary of the Navy; Elmer D. Bell, Assistant Secretary of Agriculture; Thomas O. Marvin and William S. Culbertson, members of the United States Tariff Commission; John J. Esch and Mark W. Potter, members of the Interstate Commerce Commission; William H. Joyce, member of the Federal Farm Loan Board; Ernest L. Jones, Director of the Coast and Geodetic Survey; Cuno H. Rudolph and James F. Oyster, Commissioners of the District of Columbia; William Walter Husband, Commissioner-General of Immigration; Carl A. Mapes, Solicitor of Internal Revenue; and Eugene Meyer, Jr., Director of the War Finance Corporation. All these nominations the Senate promptly confirmed. Thomas W. Miller was appointed Alien Property Custodian. George B. Christian was selected as Secretary to the President. On March 26 James C. Davis of Iowa, general counsel of the Railroad Administration, was chosen as Director-General of Railroads to succeed John Barton Payne. During the first three months of the special session of the Sixty-seventh Congress the President submitted a large number of nominations. On April 16 he appointed twelve new Major-Generals: Clarence R. Edwards, James W. McAndrew, John L. Hines, Henry T. Allen, David C. Shanks, Adelbert Cronkhite, William M. Wright, George W. Read, Charles H. Muir, Charles T. Menoher, William G. Haan and George Bell, Jr. The list was the same as that submitted by President Wilson except that the name of Brigadier-General Omar Bundy was dropped to make room for Brigadier-General Edwards. The nominations were confirmed by the Senate. The more important appointments made by the President and confirmed by the Senate up to June 30 were the following: David H. Blair, Commissioner of Internal Revenue; Frank White, Treasurer of the United States; S. Parker Gilbert, Undersecretary of the Treasury; J. Raymond McCarl, Comptroller-General of the United States; Lurtin R. Ginn, Assistant Comptroller-General of the United States; Guy D. Goff, Assistant to the Attorney-General; William D. Riter, Robert H. Lovett and William W. Hoppin, Assistant Attorneys-General; James M. Beck, Solicitor-

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General; Hubert Work, First Assistant Postmaster-General; Edward H. Shaughnessy, Second Assistant Postmaster-General; Warren I. Glover, Third Assistant Postmaster-General; H. Foster Bain, Director of the Bureau of Mines; Charles H. Burke, Commissioner of Indian Affairs; Edward C. Finney, First Assistant Secretary of the Interior; Washington Gardner, Commissioner of Pensions; Thomas E. Robertson, Commissioner of Patents; William Spry, Commissioner of the General Land Office; Frances M. Goodwin, Assistant Secretary of the Interior; John J. Tigert, Commissioner of Education; Charles F. Marvin, Chief of the Weather Bureau; Claudius H. Huston, Assistant Secretary of Commerce; Julius Klein, Director of the Bureau of Foreign and Domestic Commerce; Mary Anderson, Director of the Women's Bureau; Ethelbert Stewart, Commissioner of Labor Statistics; John J. Esch, J. B. Campbell and E. I. Lewis, members of the Interstate Commerce Commission; William Burgess, member of the United States Tariff Commission; John H. Bartlett, member of the Civil Service Commission; William S. Benson, George E. Chamberlain, Albert D. Lasker, Meyer Lissner, T. V. O'Connor, Edward C. Plummer and Frederick I. Thompson, members of the United States Shipping Board; George H. Carter, Public Printer; Dwight Davis, Director of the War Finance Corporation; Harry L. Fidler, member of the Federal Board for Vocational Education; Walter L. McMenimen, Samuel Higgins and Ben W. Hooper, members of the Railroad Labor Board; John R. Mitchell, member of the Federal Reserve Board. On June 10 Roy Haynes of Ohio was selected as National Prohibition Commissioner. President Harding selected Charles G. Dawes of Chicago as Director of the Budget to carry out the provisions of the new budget law (*cf. infra*, p. 32). On June 30 President Harding appointed ex-President William Howard Taft as **Chief Justice** of the United States Supreme Court. The Senate promptly confirmed the appointment.—The following **diplomatic appointments** were made: George Harvey, Ambassador to Great Britain; Myron T. Herrick, Ambassador to France; Richard Washburn Child, Ambassador to Italy; William M. Collier, Minister to Chile; Jacob Gould Schurman, Minister to China; Peter Augustus Jay, Minister to Rumania; and Montgomery Schuyler, Minister to Salvador.—On July 1 President Wilson issued an executive order to the effect that passports and permits would be no longer required by **aliens** wishing to leave the United States unless the Secretary of State ruled otherwise. —On July 26 the State Department announced the conclusion of a **treaty with Canada** for the protection of the salmon fisheries of the Fraser River and Puget Sound. — In accordance with the authorization of Congress the United States Government in January accepted as a home for the United States **Embassy in London** the former home of J. P. Morgan, offered the government several years ago (*cf.*

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infra, p. —).—On August 28 Secretary Colby proclaimed the **ratification of the Nineteenth Amendment** granting equal suffrage to women. —Immediately after taking office Secretary of State Hughes sent an **ultimatum to Panama and Costa Rica** demanding a cessation of hostilities. Warships were ordered to the ports of the disturbed area. Fighting ceased but the boundary dispute has not yet been settled (*cf. supra*, p. 15).—On March 24 it was reported in Washington that all American diplomatic missions had been informed by the State Department that in accordance with the recent diplomatic appropriation measure all **non-American attachés** must be dismissed. — President Wilson in an official statement informed the Senate on December 8 that the **expenses of the American Peace Commission** in Paris totaled $1,651,191.09.—Late in July the Internal Revenue Bureau announced that the **receipts from taxes** during the fiscal year ending June 30 amounted to $5,410,284,874.90. The **public debt** on June 30 was $24,299,321,467, a drop of $1,185,184,693 from the total of a year before. Secretary Houston in December estimated the **net cost of the war** to the United States at $24,010,000,000. **Secretary Houston's annual report,** December 8, recommended a more equitable distribution of the tax burden. He urged the repeal of the excess-profits tax, the reduction of the higher income surtaxes and the increase of rates for the lower income surtax. He advised an increase of two per cent in taxes on incomes up to $5,000 and of four per cent in taxes on incomes from $5,000 to $10,000. On May 1 Secretary Mellon likewise urged drastic changes in **federal taxes.** He called for the repeal of the excess-profits taxes and a reduction of the income-tax rates to a maximum combined normal tax and surtax of forty per cent for the year 1921, and of about thirty-three per cent thereafter. — Early in June Secretary Mellon initiated a program for distributing $7,500,000,000 debt for the period between 1923 and 1928 by offering $500,000,000 short-term notes in one- and three-year certificates.—Early in August the War Department announced that an order had been prepared abolishing the six existing army departments and establishing nine corps areas provided for in the **Army Reorganization** Act. The full **strength of the regular army** at the end of August was 202,537, of whom 15,045 were officers. In the United States there were 153,325 officers and men; in the Philippines, 19,472; in Germany, 15,232; in Hawaii, 4,989; in the Canal Zone, 4,337; in Porto Rico, 1,567; in China, 1,502; and in Alaska, 891. The remainder were in France and England or at sea. On January 12 it was reported that the War Department had ordered the reduction of the military forces in Germany from 15,000 to 8,000. By a law approved on June 30 the army was reduced to 150,000 (*cf. infra*, p. 35).—A substantial part of the $2,200,000,000 surplus of **army supplies** left over from the war was sold at an average of about 63 per cent of the original cost; up to September

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10 the sales netted $749,447,608.66.—During the war and up to the end of August, 1920, the Bureau of **War Risk Insurance** issued forty billion dollars worth of insurance on behalf of the American forces. The gross premium-remittances amounted to $346,987,730. The death claims paid totaled $1,154,911,719. For disabilities $29,577,540 was paid. The bureau employees in August numbered 7,323.—A special board was appointed by the President on March 29 to draft plans to aid disabled American veterans and to provide for the dependents of those killed in the war. The commission also investigated the War Risk Insurance Bureau and the Board for Vocational Training. The chairman was Charles G. Dawes. In April the creation of a consolidated service bureau responsible to the President was recommended.—In April Secretary Weeks announced a peace-time skeletonized General Headquarters for the army, headed by General John J. Pershing, and on May 3 he announced his selection of General **Pershing** as Chief of Staff to take the place of Major-General Peyton C. March.—The **Navy Department** on August 25 announced that the dreadnaught tonnage of the United States Navy in 1923 would be 1,150,000 tons. At that date there were nineteen dreadnaughts in commission. In 1923 the number will be thirty-five. Within the same period six giant battle cruisers and ten light cruisers will likewise be added to the fleet. On February 28 Rear-Admiral Henry T. Mayo and Charles J. Badger retired from active service. On May 10 President Harding selected Admiral Henry B. Wilson, Commander-in-Chief of the Atlantic Fleet, as Superintendent of the United States Naval Academy at Annapolis. The Naval Appropriation bill (*cf. infra*, p. 34) for 1922 was passed by Congress on July 11 and approved the next day. A sensation was caused by a **speech of Admiral Sims** delivered in London on June 7, in which he criticized the activities of Sinn-Feiners in the United States. Upon his return home the Admiral was reprimanded by Secretary Denby for his "highly improper" speech.—Because of the Government's dissatisfaction with the plans put forward by the great packing companies for the sale of their holdings in **stockyards** (*cf.* last RECORD, p. 31), the Department of Justice asked the Supreme Court of the District of Columbia for authority to take from the packers control of the stockyards and to appoint trustees to sell the yards to other owners. Modified plans submitted by the packers were later accepted by the court.—On November 24 the **"conscientious objectors"** still imprisoned were released.—President Wilson on January 31 refused to commute the sentence of **Eugene V. Debs** as recommended by Attorney-General Palmer.—On February 2 a decision of Attorney-General Palmer, holding that the authority of the Commissioner of Internal Revenue to issue permits for the sale in wholesale quantities of intoxicating liquors was limited to manufacturers and wholesale druggists, was made public.—In January Pro-

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hibition Commissioner Kramer issued a report describing the work of his department in enforcing **prohibition.** He reported that whiskey rings were still active but that in the main the work of suppression had been successful. Only half as many permits were sought as during the previous year. The liquor withdrawn from warehouses during the past year was 43,000,000 gallons as against 81,600,000 gallons the year before prohibition. Commissioner of Internal Revenue, Williams, reported that from January 16 to November 30, 21,826 distilleries, stills and "still worms" were seized and destroyed. Prohibition agents also seized and destroyed 136,608 gallons of liquor and seized but did not destroy 161,834 gallons. Twenty breweries and 50,448 fermenters were seized during the same time and 24,469 persons arrested. Prosecution was recommended in the cases of 23,959. Taxes and penalties assessed approximated $22,000,000. On March 3 Attorney-General Palmer handed down an opinion to the effect that the Internal Revenue Bureau could not limit through regulation the number of permits for the manufacture and sale of spirituous, vinous, or malt liquors for medicinal purposes, except that permits for retail sales must be limited to reputable druggists. He also held that no restriction as to the amount of beer and wine that could be prescribed for medicinal purposes was found in the Volstead Act. On June 1 the United States Supreme Court held that the former internal revenue laws were supplanted by the Volstead law and that the old penalties of internal revenue taxation could not be applied in addition to the penalties provided in the Volstead Act.— On May 10 President Harding modified the Wilson order affecting some 13,000 **post-office appointments** of the first, second, and third classes, by permitting the selection of one of the first three applicants on the qualified list.—The Census Bureau on October 7 announced the **population of the United States** at 105,683,108, exclusive of colonial possessions. The increase during the previous decade was 13,710,842, a gain of 14.9 per cent. The 1920 census showed that the cities have gained in population at the expense of the rural areas. In 1910 the rural population was about 7,000,000 larger than the urban population; in 1920 the urban population was about 4,000,000 larger than the rural population. — Unprecedented totals were reached in **American foreign trade** during the fiscal year 1920. According to the annual report of the Department of Commerce the merchandise that passed through United States ports, in both directions, was valued at $13,349,661,401, exceeding the highest previous figure, which was recorded in 1919, by more than $3,000,000,000. The imports were valued at $5,238,621,668; the exports at $8,111,039,733. — Late in January a number of radicals, including **Ludwig Martens,** "Ambassador" from Soviet Russia, were deported.—A temporary settlement of the dispute between the **packers** and their employees was reached on March 23

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after a conference of representatives of both sides with Secretaries Davis, Hoover and Wallace. The eight-hour day and overtime rates were restored. Wage cuts announced by the packers were to stand.—On the last day of July the Interstate Commerce Commission announced substantial **increases in railroad freight and passenger rates** in pursuance of the provisions of the Esch-Cummins law. Practically all the demands of the railroad managers were granted. The Eastern group of railroads were given permission to increase their rates 40 per cent; the Southern and Mountain-Pacific groups, 25 per cent; and the Western group, 35 per cent. The commission also granted an increase of 20 per cent in passenger fares, 50 per cent in Pullman charges, and 20 per cent in excess-baggage and milk-carrying rates. The new rates went into effect on August 26. The Commission estimated the **value of the railways** at $18,900,000,000. A week previously the **Railway Labor Board** had awarded an increase of from 20 to 27 per cent in wages to approximately two million railwaymen. The increases, retroactive from April 1, added more than $600,000,000 annually to the wage bill of the railways. Increases in pay amounting to $30,000,000 were granted on August 10 by the Railway Labor Board to 75,000 railway express workers. Three days later the Interstate Commerce Commission raised express rates 12½ per cent, $35,500,000 a year. On September 1 the government's six-months' **guarantee of railway earnings** expired. Private operation of the railways during this period cost the government $656,000,000, according to the Interstate Commerce Commission. The railroads suffered a deficit of $206,000,000 during this period, and besides this the government was obliged to pay the owners $450,000,000, to make good the guarantee provided for in the Transportation Act. On November 18 the Interstate Commerce Commission overruled the New York Public Service Commission and directed New York railways to increase their intrastate rates to correspond to the advanced interstate rates granted by the Commission.—On April 14 the Railroad Labor Board ordered the **abrogation of the national agreements** defining the working conditions on all railroads of the country formerly under federal control. The decision meant that disputes about rules and working conditions were referred to conferences between each road and its employees.—In arguing their case against a reduction of wages before the Railroad Labor Board the railroad unions charged their employers with large wastes due to defective equipment and extravagant management. The operators claimed that the large increases in wages that had been granted were responsible for the dangerous financial condition of the roads. On June 1 the Labor Board handed down a decision to become effective on July 1 reducing the **wages of railway employees** by an average of 12 per cent. The order affected the members of thirty-one labor organizations employed by more than

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one hundred railroads. The wage-reduction was estimated to reduce the annual payroll of the roads by approximately $400,000,000. — On August 16 the United States **Shipping Board** approved an arrangement between the German Hamburg-American Line and American shipping interests controlled by William Averell Harriman, looking toward the reopening of the old Hamburg-American trade routes. In December Admiral Benson, head of the Shipping Board, reported that 1180 ships had been built and delivered in 1920. The total American tonnage was stated to be slightly over 18,000,000. More than 44 per cent of our foreign commerce was carried in American ships during the year as compared with less than 10 per cent before the war. On March 2 the report of the Special House Committee which investigated the activities of the United States Shipping Board was made public. The committee recommended that the duties of the board be transferred to an executive department in order to centralize administrative authority. The report commended the work of the board as follows: "Considering the program as a whole, the accomplishments in the number of ships constructed, the tonnage secured and the time within which the ships were delivered and completed constitute the most remarkable achievement in shipbuilding that the world has ever seen." The committee found that there had been a certain amount of waste but thought that this was due to the stress of the war. It was further recommended that surplus ships should be sold without delay. On March 11 President Harding asked Admiral Benson to continue his work for the present as though the board were fully organized. On June 8 the personnel of the new Shipping Board with Albert D. Lasker as chairman was announced (*cf. supra*, p. 22). — The **Federal Trade Commission** announced on April 29 that a charge alleging unfair competition in interstate commerce had been issued against the United States Steel Corporation and subsidiaries. — On August 30 President Wilson approved the report of the **Anthracite Wage Commission** awarding seventeen to twenty per cent wage increases. The award was, however, reopened by the President in October and a new call for a joint meeting of operators and miners was set for October 18. No agreement was reached at these conferences.—In June President Harding informed the members of his cabinet that he wished them to tell their subordinates that any attempt on their part to influence Congress relative to the scheme of **administrative reorganization** then under way would result in dismissal from the service. It appeared that considerable opposition to certain proposed transfers of offices and bureaus had developed and that propaganda was active against the plans of the Reorganization Commission. — On June 29 Charles G. Dawes, **Director of the Budget,** addressed a meeting of prominent administrative officers on the need of economy in government expenditures and

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told them of the plans of his bureau in carrying out the provisions of the new budget law.

PRESIDENTIAL CAMPAIGN AND ELECTIONS. — Senator **Harding was formally notified of his nomination** by the Republican Party as its candidate for the Presidency, at Marion, Ohio, July 22. Senator Lodge delivered the speech of notification. In his speech of acceptance Senator Harding opposed the League of Nations Covenant and advocated in its place a "free association of nations" which he promised to secure if elected President. Governor **Cox was notified** of his nomination for the Presidency by the Democratic Party, at Dayton, Ohio, August 7. He endorsed the League of Nations and strongly condemned the course of the Republican senators in rejecting the Treaty of Versailles. He seemed in substantial harmony with President Wilson's policies. The Republican candidate conducted in the main a "front-porch" campaign, although toward the end of the campaign he made a number of speaking tours. Governor Cox, on the contrary, visited, during the course of his campaign, the great majority of the states. Both candidates were ably supported by their running-mates, Governor Coolidge and Franklin Roosevelt.—On October 3 President Wilson issued a direct **appeal to the voters** asking that they endorse the League of Nations at the November election.—Long before the election day arrived, Republican leaders were confident of victory but the most sanguine of them underestimated the majorities which their candidates were to receive. There were 531 electoral votes. Of these, the Republican candidates received 404, and the Democratic candidates 127. The total **popular vote** cast was almost 27,000,000. Harding and Coolidge received 16,138,914; Cox and Roosevelt, 9,142,438. The popular vote for the candidates of the minor parties was as follows: Prohibition, 192,438; Socialist, 915,302; and Farmer-Labor, 272,514. The women of the country participated in the election as provided by the recently ratified constitutional amendment.—The only states carried by the Democratic party were: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Texas and Virginia. Tennessee gave the Republican candidates a majority of 13,000. In many of the states the Republican majorities were very large. Harding's plurality over Cox in New York was 1,086,755; in Illinois, 886,085; in Pennsylvania, 715,013; in Massachusetts, 404,462; in Ohio, 401,985; and in California, 395,801.—The Republican party was equally successful in the **congressional elections.** In the Sixty-sixth Congress there were 237 Republicans and 190 Democrats in the House and 49 Republicans and 47 Democrats in the Senate. In the Sixty-seventh Congress there are 300 Republicans, 132 Democrats, and 1 Socialist in the House; and 59 Republicans and 37 Democrats in the Senate. In the 34 senatorial contests the Republicans succeeded in capturing ten

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from the Democrats and in retaining all the seats held by Republicans. Republican senators were elected to succeed Democrats in Arizona, California, Colorado, Idaho, Kentucky, Maryland, Nevada, Oklahoma, Oregon and South Dakota. In California, Senator Phelan, Democrat, was defeated by his Republican opponent, Samuel M. Shortridge. In Oregon, Senator George E. Chamberlain, Democrat, was defeated by R. F. Stanfield. Champ Clark of Missouri, who had served in thirteen congresses, eight years as Speaker, was defeated, as was also John A. Moon of Tennessee who had served twelve terms. Miss Alice M. Robertson of Oklahoma was the only woman elected to the House. The only Socialist Congressman in the Sixty-seventh Congress is Meyer London of New York City. — On June 8 the Republican National Committee changed **southern representation for the Republican national convention** of 1924. Henceforth there will be one district delegate from each congressional district that maintains a Republican organization and cast 2,500 votes for any Republican elector in the preceding Presidential election, and one additional district delegate for each congressional district that cast 10,000 Republican votes in such election. Under the plan adopted Arkansas gains one delegate; Florida, two; Virginia, one; and Tennessee, two. Georgia loses seven; Louisiana, three; Mississippi, eight; and Texas, two. John T. Adams succeeded Will Hays as National Chairman.

CONGRESS.—The final session of the **Sixty-sixth Congress** began on December 6 and ended on March 4. On the opening day of the session, President-elect Harding bade farewell to his colleagues in an address before the Senate. President **Wilson's last annual message** was submitted on December 7. It dealt chiefly with domestic issues but urged that Congress authorize a loan to Armenia and grant independence to the Philippine Islands. The President recommended also: rigid economy in expenditures and the enactment of a budget law; the revision of the tax laws and the simplification of the income and profits taxes; requiring all corporations engaged in interstate commerce to secure federal licenses; laws regulating cold storage so that goods released from storage for interstate commerce would bear upon each package the selling price at which they went into storage; and a careful consideration of the problem of rehabilitating and training disabled soldiers and sailors. — On January 3, President Wilson vetoed a resolution of Congress directing the Secretary of the Treasury to revive the **War Finance Corporation.** Thereupon the resolution was passed over the President's veto by large majorities.—The most important work of the session was the passing of all but one of the **regular appropriation bills.** The one which failed was that making appropriations for the navy. This bill, as passed by the House, called for $396,001,249.23, but was not voted on in the Senate because of the determined opposition of Senator Borah and other opponents of the

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present naval program. The army appropriation bill which was passed during the last days of the session was vetoed by the President. The bill carried appropriations amounting to $346,703,906.80 and provided for an army of 156,666 men. The President thought this reduction in military strength entirely too drastic. Early in February Congress passed over the President's veto a joint resolution directing the Secretary of War to cease enlisting men in the regular army until the number of enlisted men was 175,000. The regular annual appropriation bills which became law during the final session were as follows: agriculture, $36,404,259.00; diplomatic and consular, $9,326,550.79; District of Columbia, $19,412,412.99; fortification, $8,038,017.00; Indian, $9,761,554.67; legislative, executive and judicial, $110,345,018.75; pensions, $265,500,000.00; Post-Office, $574,057,552.00; river and harbor, $15,250,000.00; sundry civil, $384,196,760.41; total, $1,432,292,125.61. When the sums carried by the pending navy bill and the vetoed army bill are added, the total becomes $2,174,997,281.64. The permanent and indefinite appropriations were as follows: interest on the public debt, $922,650,000.00; sinking fund, $265,754,864.87; construction of roads, $1,000,000; customs service, repayments etc., $27,000,000.00; Indian funds and interest on same, $23,475,000.00; miscellaneous, $60,896,496.00; bonus to government employees, $35,000,000.00; total, $1,335,776,360.87. But there must be added also: miscellaneous appropriations amounting to $20,000,000.00 (including $18,600,000 for hospitals) and deficiency appropriations amounting to $275,256,005.21. The grand total for the fiscal year 1922 is therefore $3,806,029,647.72.—An important provision of the Diplomatic and Consular Bill was that which provided for the purchase of buildings and grounds for the diplomatic and consular representatives of the United States in foreign capitals.—On February 26 President Wilson approved the **Winslow-Townsend amendment to the Transportation Act** (*cf.* last RECORD, p. 54), which authorized paying to the railroads about $370,000,000 in advance of a final accounting under the guaranty of earnings provided in the Transportation Act. A noteworthy speech in opposition to this amendment was made by Senator LaFollette on February 21 and 22.—On February 28 a bill providing for the return by the **Alien Property Custodian** of property seized during the war, which belonged to women citizens of the United States and the Allies who married enemy subjects before the declaration of war, was signed by the President.—The Fordney **Emergency Tariff Bill,** which imposed heavy duties upon imported agricultural products, was vetoed by President Wilson on March 3. Upon its reconsideration in the House it failed to secure the necessary two-thirds majority. The vote was 201 for passage and 132 against.—Another measure which failed because of presidential disapproval was that providing that **immigration** into the United States be limited to 3 per cent of the

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number of aliens of each nationality in the United States as shown by the 1910 census. If this law had been approved, only 355,461 aliens could have entered the United States annually (*cf. infra*, p. 32).—After a bitter debate, the House of Representatives voted, on January 19, against increasing its membership from 435 to 483 as provided in the **Reapportionment Bill** reported by the Census Committee. The vote against the increase was 276 to 77. The new ratio of representation is 242,267. — Representative Champ Clark of Missouri died in Washington on March 1. He had been a member of the House for twenty-four years and its Speaker for eight years.—A **special session of the Senate** to act upon Presidential appointments convened on March 4 and adjourned on March 15.

The first (special) session of the **Sixty-seventh Congress,** called by President Harding, convened on April 11. The House reëlected **Frederick H. Gillett** of Massachusetts as speaker by a vote of 298 as against 122 for Claude Kitchin, the Democratic choice, who thus became "minority leader". The old rules were readopted and the Committee on Committees presented the majority list of standing committee appointments. More than 2,000 local and private bills were introduced, "captured German cannon" measures predominating. The Emergency Tariff Bill was also introduced.—On April 12 the **President delivered his message** to a joint session of the two houses. He called for economy in expenditures; the adoption of a national budget system; the reform of internal tax laws, and the abolition of the excess profits tax; the protection of agricultural interests; emergency tariff legislation and a thorough study preliminary to permanent tariff revision. "It is of less concern", said the President, "whether internal taxation or tariff revision shall come first than has been popularly imagined, because we must do both." He stated that railway rates and costs of operation must be reduced and gave notice that the United States meant to establish and maintain a great merchant marine. He recommended the enactment of legislation establishing a bureau of aeronautics in the Navy Department. "Congress", said he, "ought to wipe the stain of barbaric lynching from the banners of a free and orderly, representative democracy." Relative to foreign affairs the President declared, "In the existing League of Nations, world governing with its super-powers, this Republic will have no part." In order to establish the state of technical peace without further delay, he recommended a declaratory resolution by Congress to that effect. — The first important measure passed by the Sixty-seventh Congress was the **Immigration Bill** vetoed by President Wilson. The bill was passed by the House on April 22, and by the Senate with amendments on May 3. Ten days later both houses agreed to the conference report and the President signed it on May 19. The new law provides that the number of aliens of any nationality who

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may be admitted under the immigration laws of the United States in any fiscal year shall be limited to three per cent of the number of foreign-born persons of such nationality resident in the United States according to the census of 1910. Moreover, not more than twenty per cent of the aliens of any nationality admissible during any fiscal year may be admitted during any one month of the year. The Commissioner-General of Immigration with the approval of the Secretary of Labor is to prescribe rules and regulations to carry out the provisions of the act.—The **Emergency Tariff Bill** was adopted by the House on April 15 by a vote of 269 to 112. The bill was reported in the Senate on April 30 by Senator Penrose and on May 11 was passed with amendments by a vote of 63 to 28. Senator Reed's amendment which proposed to deny the benefits of the measure to American exporters who sell their goods more cheaply in foreign markets than at home, failed by a vote of 50 to 40. The conference report was approved by the Senate on May 20 and by the House on May 23. The President gave his approval on May 27. The law is designed primarily to protect agricultural products from foreign competition but it contains provisions which it is believed will stimulate greatly the American dye industry. There are stringent clauses to prevent the "dumping" of foreign products on American markets at prices lower than those prevailing abroad. The duties are to be based on the foreign value or the export value at the port of entry, whichever is higher. Some of the rates prescribed are as follows: wheat, 35 cents per bushel; corn, 15 cents per bushel; beans, 2 cents per pound; peanuts, 3 cents per pound; cattle, 30 per cent *ad valorem;* fresh meats, 2 cents per pound; cotton, 7 cents per pound; wool, 15 cents to 45 cents per pound; butter, 6 cents per pound; and cheese, 23 per cent *ad valorem.*—After years of agitation in behalf of budget reform Congress finally enacted a **budget law.** The new law is similar to the bill vetoed in 1920 by President Wilson (*cf.* last RECORD, p. 58). The Senate adopted the McCormick Budget Bill on April 26 without a roll-call and after little debate. The House passed the Budget Bill with amendments on May 5 by a vote of 344 to 9. The conference measure was accepted on May 26-27 by the two houses and was signed by the President on June 10. The law provides for a Budget Bureau in the Treasury Department, headed by a Director and an Assistant Director appointed by the President. The salary of the Director is to be $10,000 a year; that of the Assistant Director $7,500. This bureau under the direction of the President is to prepare the budget and is given power to assemble, correlate, revise, reduce, or increase the estimates of the several departments and establishments of the government. The law requires the President to submit to Congress on the first day of each regular session a budget setting forth in summary and in detail: estimates of the ex-

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penditures and appropriations he deems necessary to support the government for the ensuing fiscal year (except that the estimates for the legislative branch and the Supreme Court of the United States must be included without revision); estimates of the receipts of the government during the ensuing fiscal year; expenditures and receipts of the government during the last completed fiscal year; estimates of the expenditures and receipts of the government during the fiscal year in progress; the amount of annual, permanent, or other appropriations, including balances of appropriations for prior fiscal years, available for expenditure during the fiscal year in progress, as of November 1 of such year; balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year; (2) the estimated condition of the Treasury at the end of the year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the budget are adopted; all essential facts regarding the bonded and other indebtedness of the government; and such other financial statements and data as in his opinion may be necessary or desirable in order to make known in all practicable detail the financial condition of the government. If the estimated receipts are less than the estimated expenditures proposed, the President is required to make recommendations to Congress for new taxes or loans. The President may transmit supplemental or deficiency estimates. An important section of the law provides that the Budget Bureau, when directed by the President, shall make a detailed study of the departments and establishments to enable the President to determine what changes should be made in (1) the existing organization, activities and methods of business of such agencies, (2) the appropriations therefor, (3) the assignment of particular activities to particular services, or (4) the regrouping of services. The results of such studies are to be reported to the President, who may transmit them to Congress with his recommendations. The bureau is also required to furnish Congress with information in regard to financial affairs, when asked to do so. The Budget Bill provides, further, for the establishment of a General Accounting Office, independent of the executive departments and under the control of a Comptroller-General and an Assistant Comptroller-General, of the United States, appointed by the President and the Senate for fifteen-year terms and removable only by joint resolution of Congress after notice and hearing, or by impeachment. The Comptroller-General is to receive $10,000 a year; the Assistant Comptroller-General $7,500. The offices of Comptroller of the Treasury, Assistant Comptroller of the Treasury, and the six auditors for the departments are abolished and all other officers and employees of the office of the Comptroller of the Treasury are transferred to the General Accounting office. The law requires the Comptroller-

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General to investigate all matters relating to the receipt, disbursement, and application of public funds, and to make to the President, when requested by him, and to Congress at the beginning of each regular session, a report of the work of his office, containing recommendations concerning such legislation as he deems necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. He is also required to make such investigations and reports as may be ordered by either house of Congress or by its committees with jurisdiction over revenues and appropriations. He is to report to Congress every expenditure or contract made by any governmental agency contrary to law and is to furnish such information relating to expenditures and accounting to the Budget Bureau as may be requested from time to time.—On June 16 the President signed the **second Deficiency Appropriation Bill** for 1921 carrying more than $100,000,000.—The **Navy Appropriation Bill** which was passed by the House during the previous session but was not voted on in the Senate (*cf. supra*, p. 29) was again passed by the House on April 28 by a vote of 212 to 15. As passed by the House, the bill carried $396,000,000 and provided for the execution of the 1916 building program. The bill was reported in the Senate on May 5 and was passed with amendments on June 1 by a vote of 54 to 17. Some of the amendments proposed in the Senate brought forth protracted debates between the advocates and opponents of a larger navy. On May 24 the Senate adopted by a vote of 45 to 23 an amendment to the House bill proposed by the Committee on Naval Affairs increasing the appropriation for "pay of the navy" from $72,421,647, the House figures, to $87,798,447. The most important **amendment,** however, was that presented by Senator Borah, **providing for an international conference on armaments.** Although this amendment was at first opposed by the Committee, it was adopted by the Senate on May 25, without a dissenting vote. The amendment read as follows: "That the President is authorized and requested to invite the governments of Great Britain and Japan to send representatives to a conference, which shall be charged with the duty of promptly entering into an understanding or agreement by which the naval expenditures and building programs of each of said governments, to wit, the United States, Great Britain and Japan, shall be substantially reduced annually during the next five years to such an extent and upon such terms as may be agreed upon, which understanding or agreement is to be reported to the respective governments for approval." The amendment offered by Senator Pomerene, providing for the temporary suspension of the naval ship-building program during the disarmament conference, was rejected by a vote of 29 to 36. The navy bill as passed by

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the Senate carried appropriations amounting to $494,000,000, an increase of $98,000,000 over the House measure. The bill went to conference and was finally approved by both houses on July 11. The President approved it the next day. As finally enacted the Navy Law appropriated $417,000,000. It carried out the President's recommendation relative to the establishment of a **Bureau of Aeronautics** in the navy department.—**The Army Appropriation Bill,** passed by the House on May 10 by a vote of 241 to 23, carried appropriations amounting to $331,000,000 and provided for an army of 150,000 men. The Senate on June 7 by a vote of 35 to 30 refused to reduce the army to that figure but on the following day reversed itself and agreed to the House proposal by a vote of 36 to 32. The bill was sent to conference and the conference report was agreed to by the House on June 17, by the Senate on June 22. It was signed by the President on June 30.—Two of the more important measures of domestic concern that were pending in Congress on June 30 were: the supplementary **Prohibition Enforcement Bill,** and the **Packer Bill** to regulate interstate and foreign commerce in live stock and dairy products.—The President in his message approved the **proposal to declare peace by resolution.** On April 30, the Senate by a vote of 49 to 23 adopted the **Knox resolution** declaring at an end the state of war between the United States and Germany and Austria-Hungary, and repealing the original declarations of war. On June 13 the House by a vote of 305 to 61 adopted the **Porter substitute** resolution which declared the war at an end but did not repeal the declaration of war. The conference committee appointed to settle the difficulty agreed upon a compromise phrasing which contained parts of both resolutions. This compromise was accepted by the House on June 30 and by the Senate the day following. It was signed by President Harding on July 2. After declaring the state of war at an end, the resolution continued as follows: "That in making this declaration, and as a part of it, there are expressly reserved to the United States of America and its nationals any and all rights, privileges, indemnities, reparations, or advantages, together with the right to enforce the same, to which it or they have become entitled under the terms of the armistice signed November 11, 1918, or any extensions or modifications thereof; or which were acquired by or are in possession of the United States of America by reason of its participation in the war or to which its nationals have thereby become rightfully entitled; or which, under the treaty of Versailles, have been stipulated for its or their benefit; or to which it is entitled as one of the principal allied and associated powers; or to which it is entitled by virtue of any Act or Acts of Congress; or otherwise." It further provided that all property of the German government and of German nationals which was taken over by the United States government shall be retained by the United States, ex-

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cept as provided otherwise by law, until the German government makes suitable provision for the satisfaction of all claims held against that government by American nationals.

FEDERAL JUDICIARY.—Among the more important decisions of the United States Supreme Court were the following: Congress has the power in time of war to authorize the immediate seizure of property supposed to belong to the enemy if there is adequate provision made for its return in case of error (Central Union Trust Co. of New York *v.* Garvan, 41 S. C. R. 214; Stoehr *v.* Garvan, 41 S. C. R. 293).—The excess-profits tax, based upon invested capital determined by the value of the assets at the time of their acquisition and ignoring subsequent appreciation, does not deny due process since absolute equality in taxation is unattainable. The law, moreover, applies equally to all similarly situated corporations (La Belle Iron Works *v.* United States, 41 S. C. R. 528).—A federal statute providing for the forfeiture of any conveyance used in transporting goods with intent to defraud the United States of a tax thereon does not violate the requirement of due process when applied to an automobile used in the unlawful removal of distilled spirits even though the owner is without guilt (Grant *v.* United States, 41 S. C. R. 189).—Due process of law is not denied a newspaper by the Postmaster-General's revocation of its second-class-mail privilege when the offending paper has had an opportunity to be heard and when a review by the courts may be had on the question whether there was substantial evidence justifying the revocation (United States ex rel. Milwaukee Social Democratic Pub. Co. *v.* Burleson, 41 S. C. R. 352).—The secret seizure of a defendant's papers by a representative of the government for the purpose of securing evidence against the defendant, even under a warrant, violates the prohibition against unreasonable searches and seizures contained in the Fourth Amendment, and the admission in evidence against such defendant of the papers thus seized violates the Fifth Amendment providing that no person shall in a criminal case be compelled to be a witness against himself (Gouled *v.* United States, 41 S. C. R. 261).—The guaranties of private rights found in the Fourth and Fifth Amendments, however, are limitations on the acts of the government and may not be invoked by a person for the return of papers which were stolen from him by a private corporation and then turned over to the government (Burdeau *v.* McDowell, 41 S. C. R. 574).—Private consumers of gas in the District of Columbia may not complain of the rates fixed by the Public Utilities Commission because they are higher than the rates allowed the government and higher than they would be if the government paid the same rates as private consumers pay. Plaintiffs have no right to require equality with the government (Hollis *v.* Kutz, 41 S. C. R. 371).—The law of Congress restricting the power of landlords of the District of Colum-

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bia in ousting tenants or in raising their rents does not take property without due process, take private property for public use without compensation, or impair the obligation of contracts. It is rather a valid exercise of the police power regulating the use of property clothed with a public interest (Block *v.* Hirsh, 41 S. C. R. 458).—A state law prohibiting actions for the recovery of possession of real property used for dwelling purposes, except on certain grounds, does not impair the obligation of existing leases since contracts are made subject to police regulations; nor does such law violate the Fourteenth amendment because of discrimination arising out of the exclusion from the provisions of the law of buildings occupied for business and other purposes, since the evil sought to be remedied was the pressing want of shelter (Marcus Brown Holding Co. *v.* Feldman, 41 S. C. R. 465).—A state law restricting the use of natural gas for carbon burning only, in the case of gas produced within ten miles of an incorporated town, is a valid police regulation (Walls *v.* Midland Carbon Co., 41 S. C. R. 118).—A state workmen's compensation act mandatory on coal-mining companies and permissive as to other companies is not unreasonable or arbitrary and does not deny due process or the equal protection of the laws, in view of the universally recognized peculiarities of the coal-mining business (Lower Vein Coal Co. *v.* Industrial Board of Indiana, 41 S. C. R. 252).—A state may, without violating the Fourteenth Amendment or the obligation of contract clause, amend its workmen's compensation law so as to make mandatory on employers the insurance of their employees in the state fund though the law previously permitted employers to pay compensation to their employees and to insure themselves with private insurance companies against losses in case of injuries to their employees (Thornton *v.* Duffy, 41 S. C. R. 137).—When a state constitution prohibits irrevocable grants of special privileges or franchises, a city ordinance fixing street-railway fares may not be considered as a binding contract establishing such fares (City of San Antonio *v.* San Antonio Public Service Co., 41 S. C. R. 428).—Although under the Constitution the right to wage war and to raise armies is vested in the United States government, a state, having necessarily an interest in the successful prosecution of a war, may enact laws making it illegal to interfere with and to discourage publicly enlistments, such laws being valid police regulations to preserve the public peace, and not violations of constitutional guaranties of free speech (Gilbert *v.* Minnesota, 41 S. C. R. 125).—A state tax on a foreign corporation manufacturing its product within the state, but selling the greater share of it in other states, based on the proportion of the corporation's tangible property within and without the state so as to require the corporation to pay a tax on 47 per cent of its income, is not inherently arbitrary and does not take property without due pro-

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cess contrary to the Fourteenth Amendment (Underwood Typewriter Co. *v.* Chamberlain, 41 S. C. R. 45). — A state license tax on automobile manufacturers which provides that the tax on such manufacturers as have three-fourths of their assets invested in the state's securities or in personal property within the state shall be only one-fifth as much as the tax on other corporations, denies the equal protection of the laws guaranteed by the Fourteenth Amendment if the corporation is a person within the jurisdiction of the state; if such is not the case, the law when applied to a corporation imposes an unconstitutional burden upon interstate commerce (Bethlehem Motors Corporation *v.* Flynt, 41 S. C. R. 571). — A state excise tax of two cents on each gallon of gasoline sold or used is valid only on sales not in the original packages in which the oil came into the state; but a license tax making the distribution of gasoline contingent upon the payment of a fee of $50 for each place of distribution is invalid since such tax places a burden upon interstate commerce (Bowman *v.* Continental Oil Co., 41 S. C. R. 606).—A bridge company, with contracts giving it the exclusive right to operate a railroad on a bridge over a river between two states and with such arrangements with connecting street-railway companies as to give it a large earning capacity, has intangible property other than its mere right to conduct interstate commerce, and a tax upon such intangible property is not invalid as a burden on interstate commerce (St. Louis and E. St. L. Electric Ry. Co. *v.* Missouri, 41 S. C. R. 488). — A state cannot require the driver of a government motor truck carrying the mails over its post roads to procure a license conditioned on satisfying its officials of his competence and paying a fee therefor (Johnson *v.* Maryland, 41 S. C. R. 16).—The Lever Act, making it unlawful to make any unjust or unreasonable rate or charge in dealing in the necessaries of life, fixes no ascertainable standard of guilt and does not adequately inform persons accused of violations thereof of the nature and cause of the accusation against them, and is therefore void under the Fifth and Sixth Amendments (United States *v.* L. Cohen Grocery Co., 41 S. C. R. 298).—Though the article of the Constitution relative to the adoption of amendments thereto does not prescribe a time limit within which the ratification of a proposed amendment must be completed, it is implied therein that such ratification must take place within a reasonable time so that the proposal and the ratification may represent a contemporaneous sentiment. The period of seven years prescribed by Congress in submitting the Eighteenth Amendment was a reasonable period in view of the fact that all previously adopted amendments had been ratified within a shorter period (Dillon *v.* Gloss, 41 S. C. R. 510).—The federal corrupt practices act which limits the expenditures which a candidate for the United States Senate may make in securing his nomination and election so far as it applies to

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party primaries or designating conventions is unconstitutional since the law is not authorized by the provisions of the constitution which provide that the times, places, and manner of holding elections for Senators and Representatives shall be prescribed by the State Legislature, but that Congress may make or alter such regulations, and that Congress may make all laws necessary and proper for carrying into effect the powers granted by the Constitution, the word "elections" having reference only to the final choice of an officer by the duly qualified electors (Newberry *v.* United States, 41 S. C. R. 469).—The creation of federal land banks and joint-stock land banks is within the power of Congress, such banks having been designated as depositories of public money and as financial agents of the government (Smith *v.* Kansas City Title and Trust Co., 41 S. C. R. 243).—The constitutional provision guaranteeing to the citizens of each state the privileges and immunities of citizens in the several states was intended to protect those privileges against state action and is not violated by the wrongful prevention of the enjoyment of such privileges by private individuals (United States *v.* Wheeler, 41 S. C. R. 133).

STATE AFFAIRS.—At the **elections** in November thirty-five states elected **governors.** In twenty-nine of these the Republican candidates were successful. Republicans succeeded Democrats in Missouri, Montana, New York, Ohio, Tennessee, Utah and West Virginia. In two of the states that elected Republican governors, North Dakota and Wisconsin, the successful candidates, Lynn J. Frazier and John J. Blaine, had the support of the Non-Partisan League. In **Illinois,** Mr. Len Small, candidate of the Thompson faction of the Republican party, was nominated in the primaries by a small margin over Lieutenant-Governor Oglesby, candidate of the Lowden faction. Ex-Senator James Hamilton Lewis was the Democratic candidate. At the election in November, Small won over Lewis by a vote of 1,243,148 to 731,551. In **Kansas,** Governor Henry J. Allen, Republican, was reëlected by a majority of more than 100,000. He was strongly opposed by those who condemned the Kansas Industrial Court. Channing H. Cox, Republican, was elected governor of **Massachusetts** by an overwhelming majority of more than 350,000. One of the most noteworthy gubernatorial contests was that in **New York.** The Democrats renominated Governor Alfred E. Smith whose record at Albany had met with widespread approval. The Republicans nominated Judge Nathan L. Miller. Judge Miller was carried into office by a narrow margin of less than 75,000. President Harding's plurality in New York was 1,086,000. Governor Lynn J. Frazier was reëlected in **North Dakota** by a majority of less than 5,000. In **Tennessee,** Governor Roberts, Democrat, was defeated by Alf Taylor, Republican. The vote was as follows: Taylor, 229,463; Roberts, 182,836.—At the

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November elections the voters of thirty-two states passed upon **amendments to state constitutions.** The voters of Arizona, California, Colorado, Maryland, Michigan, Missouri, Oklahoma and Washington all rejected proposals to increase the **salaries of public officers.** In Maine, Missouri and South Dakota, loans to pay a **bonus to world war veterans** were approved. The voters of North Carolina approved an **income-tax** amendment; those of Maine, Minnesota and New Hampshire refused to do so. California, Colorado, Kansas, Minnesota, Missouri and West Virginia voted special taxes or bond issues for **highway improvements.** West Virginia approved divided legislature sessions; Oregon rejected a similar proposal. Single-tax amendments were rejected in California and Oregon. In Kansas an amendment allowing the classification of property for tax purposes failed. In California and Iowa the voters passed upon the calling of **constitutional conventions.** In the former, the proposal was rejected; in the latter, approved. Missouri adopted an amendment permitting the submission of the question of a constitutional convention by the initiative method. In Michigan, an excess-condemnation amendment was rejected, as was also an amendment aimed at **parochial schools,** to compel all children below the eighth grade to attend the public schools. The voters of New York approved an amendment providing for **serial bonds** for state debts. In Arkansas, the **initiative and referendum** provisions of the constitution were revised. The number of petitioners required for a referendum was increased from five to six per cent and the number required to initiate a constitutional amendment was raised from eight to ten per cent. The popular initiative was used in eight states. In Arizona all the popularly initiated bills including proposals to create a state civil-service commission, to create a state highway department, and to enter upon reclamation and irrigation projects were defeated. In **California** an **alien land law** was adopted by a vote of 668,483 to 222,086. The law was designed to restrict still further the ownership of land by aliens, especially Japanese. Another bill prohibiting vivisection was overwhelmingly defeated. In Colorado bills fixing the hours of work for municipal fire departments and making an appropriation for a state hospital were approved. Other measures, including several for the creation of new counties, failed. The voters of **Massachusetts** approved a measure permitting the manufacture of light **beer and wines** with two and three-fourths per cent alcohol by a vote of 442,215 to 432,951. This was the first time Massachusetts used the initiative. In Montana measures levying a tax for the state university and authorizing a bond issue for educational purposes were adopted. A bond issue for irrigation failed. In **North Dakota** five **initiated measures** directed **against the Non-Partisan League** were adopted by small majorities. On all of them the vote cast was larger than that for

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presidential electors. A measure levying a tax on public service corporations failed in Oklahoma. The voters of Oregon voted down all popularly initiated measures. Proposals for consolidating the properties of the port and dock commissions, for creating a bird refuge for native waterfowl, and for creating a state market commission appeared upon the ballot. — Fifteen states had **referenda** called on petition, by the legislature, or ordered by the constitution. Arizona defeated a measure referred by the legislature to regulate pardons and paroles. California approved measures regulating the sale of poisons and organizing irrigation districts, and defeated measures to enforce prohibition and to prohibit state banks from acting as agents of insurance companies. Idaho approved a bond issue for state highways. Maine approved woman suffrage. Missouri adopted a prohibition enforcement measure and rejected a workmen's compensation law. Montana defeated measures to provide for state nominating conventions, to authorize boxing, to provide for the direct primary for all offices and delegates to national conventions, to repeal the presidential primary law; and to issue bonds for roads. Nebraska defeated overwhelmingly a measure to abolish the **direct primary.** New Jersey approved bond issues for a soldiers' bonus and for a vehicular tunnel under the Hudson. New York approved a bond issue for a soldiers' bonus. Ohio approved a prohibition-enforcement act, and Oklahoma an act to regulate the practice of medicine. Oregon defeated a law regulating the sale of oleomargarine. South Dakota defeated a prohibition-enforcement act and a measure to combine the party-primary and the party-convention systems. Washington approved a bond issue for a war bonus and rejected a law for the construction of a state highway system. At a special election on September 21 the voters of **Nebraska** approved all of the forty-one amendments prepared by the constitutional convention of 1920 (*cf.* last RECORD, p. 72). At the November election, the voters of Louisiana voted in favor of a constitutional convention. The **Illinois constitutional convention** (*cf.* last RECORD, p. 73) which met in January, 1920, took a recess from July to September. After reconvening for a few weeks another recess was taken to September, 1921. The work of the convention thus far has been done in committee of the whole. A number of proposed changes have been tentatively approved. The subjects over which there has been the greatest controversy are revenue, Chicago's representation in the legislature, and the initiative and referendum. — The **Pennsylvania Commission on Constitutional Amendments,** authorized by a law of June 4, 1919, made a careful study of the state constitution during the year 1920 and on December 14 adopted a report to the legislature containing a draft of a revised constitution and recommended the submission to the electorate of the question of calling a constitutional convention. The revised con-

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stitution as drafted by the commission contains more than one hundred and thirty amendments. Among the more important changes recommended are: provision for a state budget system; lump-sum appropriations to classes of educational and charitable institutions not wholly under state control in order to eliminate log-rolling; authorization of the legislature to delegate to cities or classes of cities authority to frame their own charters; authorization to prescribe proportional representation for elections of representative bodies in municipalities if the electors so desire; provision for civil service appointments; and the grant to the legislature of power to alter the judicial system of Philadelphia. The legislature of 1921 provided for a popular vote on the calling of a convention and prescribed the limited-vote system for securing minority representation in the convention. The election is scheduled for September. — The **Colorado** legislature referred to the people a proposal to call a constitutional convention. — The **Louisiana constitutional convention** adopted the following amendment regarding parochial (county) government: the legislature shall provide optional plans for the organization of parochial government, and any parish may change from one plan so prescribed to another, when authorized by a majority of its electors voting at an election held for such purposes. — The movement for the **reorganization of state administrative agencies** was considerably advanced during the year. Important consolidation laws were passed in Washington, Ohio, Michigan and California. Under the leadership of Governor Louis F. Hart the legislature of **Washington** combined the seventy-odd boards, commissions and other administrative agencies into ten departments with a director appointed by the governor at the head of each. The departments are: public works, business control, efficiency, taxation and examination, health, conservation and development, labor and industries, agriculture, licenses, fisheries and game. The departments are subdivided into divisions under supervisors appointed by the directors. The bill went into effect April 1. The administrative reorganization bill of **Ohio**, adopted by this year's legislature, went into effect July 1. It created the following departments: finance, commerce, highways and public works, agriculture, health, industrial relations, education and public welfare. The directors of the departments are appointed by the governor and the senate and hold office during the governor's pleasure. Bureaus are created within the departments. The **California** legislature of 1921, acting upon Governor Stephen's recommendation, enacted nine bills designed to effect the administrative reorganization of state agencies. The following departments were created: finance, professional standards, labor and industrial relations, education, agriculture, public works, public institutions, civil service. Several of the departments are headed by boards. The governor is given the power to remove his

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appointees. Under the leadership of Governor Groesbeck, the **Michigan** legislature of 1921 provided for a state administrative board with general supervisory power over all state activities, and five departments in the place of some thirty boards and commissions. The departments created were: agriculture, conservation, labor, public safety, and welfare.—A special session of the **Indiana** legislature, on July 31, 1920, enacted a statute creating a special coal and food commission with authority to fix the price at which all intrastate shipments of coal should be sold, and to determine the priority in which it should be supplied. The powers of the commission were set aside early in 1921 by an injunction issued by the Federal district court on the ground that they constituted an interference with interstate commerce and with preëxisting contracts. According to the terms of the law the powers of the commission were to expire in March.—In forty states **regular legislative sessions** convened in January and in two others, in June. The governors in their messages advocated numerous changes. The need for a thorough reorganization of the administrative system received general recognition. Other matters frequently touched upon included: new sources of revenue; labor conditions; law-enforcement; prison-reform; efficiency and economy measures; budget-reform; educational reform; nominating methods, with special reference to the direct primary; improved highways; conservation; health and child welfare; and the treatment of war veterans.—The **South Dakota** legislature created a home-building department to aid in the building of homes. During any biennial period bonds to the amount of $500,000 may be issued the proceeds of which are to be lent to home-builders up to eighty per cent of the cost. Not more than $4,000, however, may be lent to one person and repayments are to be made within twelve years. The interest rate may not be more than one and one-half per cent in excess of the yield of the bonds.—The **California** legislature, in the face of bitter opposition from the utility companies, raised the taxes on the gross income of public-service corporations about twenty-five per cent.—Although the voters of **Iowa** at the general election in November voted for a constitutional convention, the legislature of 1921 failed to carry out the people's mandate by refusing to make provision for the convention.—The **Minnesota** legislature established an industrial commission of three members appointed by the governor and the senate for six-year terms, one retiring every two years, to have charge of the administration of all labor laws including the workmen's compensation act. The new commission superseded the former department of labor and industry. The new compensation law provided in the place of a specific compensation schedule for permanent partial disability, a healing-period not in excess of twenty-five weeks and a reëducation-period not in excess of twenty-five weeks, during which periods the injured

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is to receive sixty-six and two-thirds per cent of his salary and medical care. For total permanent injury the time limit is abandoned altogether but the total sum to be paid may not exceed $10,000. Dependents are provided for in the case of fatal accidents. Occupational diseases are included within the scope of the law. Farmers may come under the provisions of the act.—The **New Jersey** legislature passed over the governor's veto a law which established a state constabulary. The bill, which was passed in the face of the bitter opposition of organized labor, provided for two troops of fifty-eight men whose chief function is to be the protection of the rural parts of the state. Atlhough the lower house ratified the prohibition amendment by a vote of 51 to 4 the senate refused to ratify it.—On April 30, representatives of **New York and New Jersey** signed the **port treaty** between the two states which was approved by the legislatures of the two states after years of negotiation. The treaty gives to the Port authority control of the improvement and development of the Port of New York. The new board is made up of three men from each state, the representatives of New York being Messrs. Alfred E. Smith, Lewis H. Pounds and E. H. Outerbridge; those of New Jersey, Messrs. Smith, Van Buskirk and Ford. — The new **pension law for New Jersey** state employees allows retirement at sixty years, or in cases of earlier disability, an annuity amounting to one-seventieth of the salary for each year's service. The employees are to contribute according to their entrance age and occupation varying from three and one-half to eight per cent of the salary. The state will also contribute. — The legislature of **Pennsylvania** submitted to the voters a constitutional amendment which if approved will allow the legislature to permit cities to frame their own charters. On April 26, the Pennsylvania House of Representatives deposed its speaker, Robert S. Spangler, and elected Samuel A. Whitaker for the remainder of the session. Thereupon the Governor's program including bills for the creation of a state department of welfare and the repeal of the nonpartisan election laws of Pittsburgh and Scranton was speedily adopted. Another measure passed by this year's legislature was the repeal of the full-crew law of 1911. The law empowered the public-service commission to designate the number of men necessary to operate trains safely.—The **Illinois** legislature enacted a law providing for the city-manager form of government applicable to cities and villages with populations of 5,000 or less. The law provided a two-year term for city managers.—A new budget law was passed by the Oregon legislature of 1921. The budget is to be drawn up by a commission of the more important administrative officers of the state.—The **Nebraska** legislature passed a law restricting the right of aliens to acquire title to land in the state.—Although the **Kansas** legislature refused to pass the majority of the measures proposed by the Chil-

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dren's Code Commission, appointed last year, it provided for the establishment of a Child Research Bureau. Another law raised the maximum amount of mothers' aid from $25 to $50 a month and made mandatory the former permissive law. It was also provided that cities of over 18,500 population must establish free kindergartens. The functions of the Kansas Industrial Court were extended by a law consolidating with the court the Industrial Welfare Commission and the Department of Labor. — The **Missouri** legislature of 1921 passed nineteen of the measures recommended by the **Children's Code** Commission. Among the most important measures passed were bills making wife desertion a felony; punishing those who contribute to the delinquency of children; raising the age of consent from fifteen to sixteen years; authorizing children born out of wedlock to inherit from their fathers and mothers; forbidding the marriage of mental defectives; forbidding any person to solemnize the marriage of mental defectives; giving the State Board of Charities and Correction supervision over maternity hospitals, childrens' homes and child-placing agencies; requiring prophylactic treatment of the eyes of new-born infants; authorizing cities of the second and third classes to establish municipal boards of public welfare; and authorizing counties to establish county departments of public welfare. The legislature likewise passed a new workmen's compensation bill, established the county as the unit of administration for rural schools, consolidated under one board the management of the state charitable institutions previously under local boards, and provided for a state commissioner of public welfare with power to enforce numerous laws which provide for the inspection and standardization of health and living conditions. — In spite of the vigorous protests of organized labor a law which provides that voluntary organizations may sue and be sued was passed in **Massachusetts.** Governor Cox defended his approval of the law as follows: "The bill applies to all voluntary associations, whether of employees or employers, or great groups who have formed holding-companies or voluntary associations, a convenient method of controlling large corporations. Every such association ought to be held responsible for its acts."—In **Ohio** the legislature's attempts to abolish the "uniform rule" in taxation and to adopt an income-tax measure failed. However, the legislature enacted a debt-limitation law designed to prevent borrowing for current expenses or deficiencies; to restrict the term of loans so that bonds may not run for periods longer than the life of the improvements made; to protect sinking funds; to strengthen the limits placed on maximum net indebtedness; and to establish the serial-bond system.—At the special session of the **New York** legislature in September (*cf. infra*, p. 49) the Assembly again ousted three of the five Socialists who had all been reëlected after their expulsion by the regular session. The other two mem-

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bers thereupon resigned (*cf.* last RECORD, p. 74). The 1921 New York legislature enacted a large number of far-reaching measures. Substantially the entire program advocated by Governor Miller received legislative approval. One of the most important measures passed was the one reorganizing the state public service commission and establishing for New York City a **transit commission** of three members with complete authority over local transportation. The legislature also provided for an investigation of the administration of New York City and for a charter commission to revise the New York charter. Another law, which aroused much opposition, **abolished the direct primary** for the nomination of United States senators, supreme court judges, and all officers elected by the state at large. Candidates for such offices are to be nominated by party conventions composed of delegates nominated by petition and elected at the fall primary two months before the election. The direct primary is retained for the nomination of local officers. Although the senate approved the constitutional amendment adopted by last year's legislature providing for the consolidation of the administrative agencies of the state, the assembly defeated the amendment. The legislature passed a law providing for a board of estimate and control. This board will be the budget-making agency for the state and will have power to revise appropriation requests and to supervise the expenditures and activities of all departments. Another measure provides for the enforcement of the prohibition amendment and the Volstead act by municipal authorities.—The triumph of the **woman-suffrage amendment** to the United States Constitution (*cf.* last RECORD, p. 71) was assured when **Tennessee,** on August 18, ratified the amendment. Washington, the thirty-fifth state, had ratified the amendment on March 22.—During the year 1920 there were 65 **lynchings** in the United States. Of the victims 57 were negroes and 8 were whites. The lynchings were distributed among the states as follows: Alabama, 6 (1 white); Arkansas, 1; California, 3 (white); Florida, 13; Georgia, 8; Kansas, 1; Kentucky, 1; Minnesota, 3; Mississippi, 7; Missouri, 1; Montana, 1 (white); North Carolina, 2; Ohio, 1; Oklahoma, 3 (1 white); South Carolina, 1; Tennessee, 1; Texas, 10 (1 white); Virginia, 1; West Virginia, 1 (white). During the first six months of 1921 there were 32 lynchings. They were distributed as follows: Alabama, 2; Arkansas, 3; Florida, 4; Georgia, 4; Kentucky, 1; Louisiana, 2; Mississippi, 11; Missouri, 1; North Carolina, 2; South Carolina, 1; Tennessee, 1. Of these, 3 were whites and 29 negroes.

MUNICIPAL AFFAIRS. — On February 22 **Chicago** held a non-partisan aldermanic election. The City Hall organization headed by Mayor Thompson was defeated in eight contests but was successful in five.—On April 5 Mayor Henry W. Kiel of **St. Louis** was reëlected for a third term over James W. Byrnes, a business man. The Repub-

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licans succeeded in electing also the city comptroller and fourteen aldermen. — In **Milwaukee** the Socialist candidates suffered a severe defeat on April 5. Mrs. Victor L. Berger, elected to the school board, was the only Socialist elected. Emil Seidel, former Socialist mayor, was defeated for alderman-at-large by William B. McKinley, Non-Partisan.—On April 5 the Democrats of **Danville,** Illinois, for the first time in fifty years succeeded in securing a majority in the city council. They elected the mayor, the city clerk and two aldermen.— On May 10 **Jersey City and Newark** elected city commissioners. In both cities the contests were bitterly fought and large votes were polled. In Jersey City, the Democratic organization ticket was successful, all the old commissioners being reëlected in spite of the charges made against the administration of Mayor Hague by a legislative investigating committee. In Newark four of the five commissioners were reëlected, but because of the narrow margin by which Mayor Gillen was elected to the commission he was not reëlected mayor. The new mayor is Commissioner Archibald. — On June 13 Colonel George E. Leach, fusion candidate, was elected mayor of **Minneapolis** over Thomas Van Lear, the former Socialist mayor of the city, by a majority of nearly 15,000. Two amendments to the city's charter provided a tax of 22 mills for school purposes and 2 mills for libraries. — As usual there were a number of important **municipal referenda** during the year. On August 10 the voters of **Toledo** rejected a proposal for a bond issue of $7,000,000 to acquire a city-owned transportation system (*cf.* last RECORD, p. 77). Later the electorate approved a service-at-cost franchise ordinance for a newly incorporated railway company. The mayor is to appoint a board of street-railway control to protect the public interests.—At an election last fall **St. Louis** approved five of the eighteen items in a $23,000,000 bond proposal for municipal development. The five items provided for an issue amounting to $3,793,000 for: the elimination of grade crossings, a farm for insane, new engine houses, new morgue, street-reconstruction, and a city lighting plant. — On August 10 the voters of **Cleveland** decisively rejected a proposal to raise the dividend on the stock of the Cleveland Railway Company from six to seven per cent.—At the November election the voters of **Portland,** Oregon, defeated a zoning ordinance passed by the city council.—The county-manager charter for **Baltimore** county was decisively rejected. The voters of Baltimore decided to retain the present method of state control over the city police department instead of vesting the appointment of the police commissioner in the mayor. — **Minneapolis** adopted a new charter the most important part of which provides for home rule. No important changes were made in the form of government. — The voters of **San Francisco** passed on twenty-six charter amendments and two referred ordinances. A pension system for city

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employees was authorized, as were also proposals for a school board nominated by the mayor and confirmed by the people and for an appointive rather than an elective school superintendent. The city administration was authorized to negotiate for the further acquisition of street railways. Attacks on the civil service and proposals for higher salaries were defeated.—**Boston** rejected a legislative proposal to enlarge the city council from nine to fifteen to be selected by wards instead of at large as at present.—The proposal to increase the number of wards from thirty-five to fifty, to allow each ward one alderman instead of two, rejected by **Chicago** in 1919, was adopted by a large majority at the November election of 1920.—At the November election, **Philadelphia** voted $33,000,000 for permanent improvements. Important among the items were those for the art museum, public library, municipal court building, city hall annex, parks and playgrounds, and wharves and docks. — A city council of nine members elected according to the Hare plan of proportional representation is a striking feature of **Sacramento's new city-manager charter.** The council is to select the manager, city attorney, police judge, treasurer, city clerk, the civil service commissioner, and the board of education. The new charter was approved by the voters on November 30.—A charter amendment to abolish proportional representation and the city-manager plan of government in **Ashtabula,** Ohio, was defeated in November. — At the aldermanic elections in February, **Chicago** voters approved an $8,000,000 bond issue to care for floating indebtedness. Only 361,000 of the 888,000 registered voters went to the polls.—At an election on April 4 the people of **Kalamazoo** voted to have a general charter revision and to restore the mayor-aldermanic form of government. A charter revision commission of nine members was elected. — At an election in April, **Detroit** voted to buy an additional twenty-five miles of street railway trackage. A proposal for service at cost was defeated. — Early in 1921 two police court judges who had been accused of corruption were recalled in **San Francisco.** They were defeated by approximately 5,000 votes.—There has been much important **legislation affecting cities.** The **Tennessee** legislature passed a series of laws authorizing city-planning in cities with more than 160,000. Nashville secured from the Tennessee legislature a new charter which provides for a compromise between the city-manager form and the mayor-and-council form of government. A city council of fifteen members elected from wards is to select a mayor for an indefinite term. Appointments to administrative office are to be made by the mayor but are subject to the council's confirmation. — **Indiana** and **Wyoming** have adopted optional city charter laws which permit the establishment of the city-manager form of government upon referenda in cities. **Missouri** adopted a permissive city-manager law applicable to third-class cities. The **New York**

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legislature enacted several measures of great importance to the cities of the state. At a special session of the legislature in September several laws designed to relieve the housing situation were passed. In February the Board of Aldermen of New York City exempted from taxation for ten years all dwellings built within two years after April, 1920. The legislature of 1921 placed all public utilities under the control of one state commission with the exception that a special commission of three was established with complete power over the subject of transit in New York City. Provision was also made for an investigation of the administration of New York City and for a commission, appointed by the governor, to draft and submit to the legislature a new charter. A bill abolishing commission government in Buffalo passed by the New York legislature was vetoed by the mayor of the city and failed of passage over his veto. The **Pennsylvania** legislature abolished non-partisan elections in second-class cities (Pittsburgh and Scranton). Constitutional amendments giving Kansas City home rule in charter-making and increasing the debt limit to allow for necessary public improvements, were approved by the voters of **Missouri** at the November elections. Cities of over 75,000 population were authorized to acquire water works, gas works, electric-light works, street railways, and heating and refrigerating utilities. The **Minnesota** legislature passed a law authorizing Duluth, Minneapolis and St. Paul to adopt zoning ordinances. — The city of **Toledo** has adopted a stringent billboard ordinance prohibiting the erection of billboards in residence districts unless the written consent of the owners of a majority of the properties fronting the street is obtained. —**Washington's zoning ordinance** passed by Congress became effective August 30. It makes provision for four use districts, four height districts, and four area districts. Milwaukee, Mansfield, Ohio, and East Orange, New Jersey, have likewise adopted up-to-date zoning ordinances.—**Cleveland** recently amended her billboard ordinance by making detailed regulations for the use of electric signs.—The city of **Des Moines** has recently erected an astronomical observatory. Professor Morehouse of Drake University induced the trustees of that institution to offer to the city the use of a fine telescope and his services for public instruction in astronomy if the city would erect a suitable building. The city council accepted the offer and an edifice was built at a cost of more than $50,000. It contains a lecture hall seating one hundred and fifty people.—On August 21 the taxpayers of **Jamestown,** New York, voted by a large majority to establish a municipal milk plant and a sanitary distribution system. A bond issue of $150,000 was authorized. A commission of four members appointed by the mayor is in charge of the project.—On September 15 a **bomb** was exploded **in New York City** at Broad and Wall Streets, killing thirty-eight persons and injuring two hundred others. — During the

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first few days of June a severe **race riot in Tulsa,** Oklahoma, resulted in the death of more than thirty persons, most of them negroes, and the burning of practically the entire negro section of the city.—The **city-manager form of government** is progressing rapidly. On the date at which this record begins there were 180 cities in the United States operating under the city-manager plan. In May, 1921 this number had increased to 223. The following cities each with more than 25,000 inhabitants have adopted the new form of government during the year under review: Long Beach, Pasadena and Sacramento, California; Colorado Springs, Colorado; Tampa, Florida; Bay City and Pontiac, Michigan; Lima, Ohio; Nashville, Tennessee; Lynchburg, Newport News and Petersburg, Virginia; and Clarksburg, West Virginia.

CAPITAL AND LABOR.—The year under review witnessed much unemployment, many reductions in wages, and a widespread movement among employers for the open shop. There were also numerous strikes, many of them against proposed reductions in wages. The New Orleans **street-car service** was tied up by a strike from July 1 to July 25. The men returned to work while conciliators proceeded to adjust the wage dispute. In Chicago, street-car service was suspended for some days during a strike in the middle of July. During the first week in August serious rioting accompanied the Denver street-car strike. Five persons were killed and many injured. Federal troops were called on to restore order. During the first half of September there was a serious strike of the employees of the Brooklyn Rapid Transit Company, the third strike within three years. Rioting accompanied the strike and for some time service was suspended on both surface and elevated lines. By September 10 most of the men had returned to work.—As the result of a strike about 90 per cent of the **Illinois and Indiana coal mines** were closed by July 24. On July 30, President Wilson in a telegram to John L. Lewis, President of the United Mine Workers of America, requested the miners to return to work pending a joint conference of the Scale Committees of the operators and the miners to adjust difficulties. Mr. Lewis thereupon ordered the men to return to work but not all of them obeyed. The conference, which met in Cleveland, broke up without settling the difficulty. However, the Illinois miners secured from their employers in the state a substantial increase in wages.—The **coal strike in Kansas** came under the jurisdiction of the Court of Industrial Relations, which has been vigorously opposed by the United Mine Workers. A president of one of the districts served a term in jail for defying an order of the court (*cf.* last RECORD, p. 84).—The **Alabama coal strike** which was officially called in September was finally submitted to Governor Kilby for settlement. Both sides agreed, in March, to abide by the decision to be made by the Gov-

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ernor on the basis of the report of a commission of investigation. The Governor found that the miners had no grievances as to living conditions, hours of work, or wages. He summarized his findings as follows: recognition of the United Mine Workers of America is not to be compelled; the day-wage scale and sub-contract system are to remain unchanged; the existing methods of adjusting grievances are found to be fair and equitable; the operators are under no obligation to reëmploy the striking miners; the freedom of contract shall be inviolate, and therefore any of the above-mentioned things may be done by mutual agreement of the parties. He recommended: (a) that the operators, as a means to promote peace and harmony, reëmploy the strikers as fast as places could be found for them without displacing the men who were then at work; (b) that the organization of the United Mine Workers of America support the unemployed until they could find employment. The Governor added that the acceptance of his regulations would be "a gracious act on the part of the employers". — During the period under review there were serious disturbances in the **coal fields of West Virginia.** Martial law was declared in some districts. Numerous clashes occurred between the strikers and the authorities.—On June 1 the long labor struggle which since December 8 had paralyzed the **clothing industry in New York** came to an end. The strike was estimated to have caused a loss of $100,000,000 in production and $30,000,000 in wages. The cause of the trouble was the refusal of certain manufacturers to abide by the system of joint industrial government in force in the industry. It was believed that falling prices resulting from the buyers' strike should be accompanied by a liquidation of labor. A demand was made for a reduction of fifty per cent in labor costs. On December 2, the manufacturers announced that they would put into effect individual bargaining, wage-reductions, and piece work, and would insist upon the unlimited right to discharge employees. The two main issues were recognition of the union and joint industrial government. During the course of the trouble the Amalgamated Clothing Workers were accused of excessive radicalism and bolshevism. Numerous injunction suits were filed by manufacturers. Finally after many weeks of futile struggle and after the resignation of the president and his "war party" associates from the Clothing Manufacturers' Association, a settlement was reached upon the basis of the agreement drawn up last November by Sidney Hillman, president of the Amalgamated. The chief provisions of the agreement were as follows: the union shall assume responsibility for the production of its members; labor costs shall be reduced sufficiently to enable New York manufacturers to do business; adjustment of the amount of reduction in cost is to be made between each employer and a committee of workers aided by representatives of the union and association; disagreements

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shall be referred to the market labor manager and to the general president for settlement; all cases so referred shall be settled by them; settlements made shall be enforced by the impartial chairman. The wage-reduction amounted to fifteen per cent.—On August 17 the **longshoremen,** who had been idle for five months, returned to work in New York City.—On September 28, the deep-sea longshoremen of the North Atlantic ports renewed their wage agreement for one year. —Early in April the American Steamship Owners' Association announced that the wages of seamen would have to be reduced from twenty-five to thirty per cent when the contracts expired at the end of the month. The men refused to accept the reductions and made a demand for the preferential union shop and the stricter enforcement of the Seamen's Act. A conference with the United States Shipping Board resulted in Admiral Benson's statement that wages should be cut fifteen per cent, that the preferential union shop should be denied, but that the Seamen's Act should be strictly enforced. Although a commission of investigation was appointed to investigate the situation, a strike began on May 1. After a conference with the Shipping Board, the workers on June 13 accepted a fifteen-per-cent reduction in wages.—There were numerous strikes in the **printing trade** during May due to the fact that many employers refused to put into effect the 44-hour week.—In June a long-continued **building-trades controversy** in Cleveland was ended when both parties accepted the award of arbitrators representing the public. The strike involved 25,000 men. To the board of conciliation composed of fourteen members representing equally organized employers and organized employees were added seven representatives of the public. The board agreed upon a wage cut of seventeen per cent. — On February 3 Robert P. Brindell, president and organizer of the New York Building Trades Council, was found guilty of the charge of extorting $5,000 from a contractor for calling off a strike on a building under construction.— In March the report of the **Calder Select Committee** on Reconstruction and Production was published. The report pointed out that the housing shortage is only one feature of the failure of the building industry to keep up with national need. There is also a "shortage of railways, highways, waterways, and rapid transit facilities, as well as of industrial structures, which represents the accumulated deficit of the last six years". The report shows that there was no real scarcity of coal in 1920 and that the high prices were artificially produced; and that one important cause of the stagnation in the building industry is the difficulty of obtaining money on reasonable terms. Among the recommendations of the committee were the following: A bill to establish in the Department of Commerce a division for the gathering and dissemination of information as to the best construction practices and methods, technical and cost data, and matters re-

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lating to city-planning etc., in order to encourage standardization and improved building practices throughout the country; an amendment to the Federal Reserve Act to permit the Reserve Board to direct the use of savings and time deposits of national banks for long-time loans, thus giving such deposits greater security and supplying a source of long-term money for home-building; a home-loan bank bill to provide for district home-loan banks which may sell, under Federal supervision, bonds secured by the aggregated loans deposited by the member banks; and an amendment, limited to five years, to the revenue act of 1918, to provide for the exemption from excess-profits and income taxes of profits on the sales of dwelling-houses where such profits, plus an equal amount, are reinvested in dwelling-house construction. — In August the **International Harvester Company** announced the establishment of an interesting **profit-sharing** scheme. All employees who are not managers or executives of the company and its subsidiaries will be the beneficiaries of an extra compensation fund to equal forty per cent of the company's profits for the year in excess of seven per cent upon invested capital. The sums will be distributed to employees in the proportions which the earnings of each bear to the earnings of all. Payment will be made partly in cash and partly in stock. Another fund was established for the benefit of managers and executives. This is to be twenty per cent of the company's profits in excess of the seven per cent on invested capital. —Ever since prices began to decline in the summer of 1920, and it appeared that a period of depression was at hand, groups of employers have been conducting a campaign for the "**open shop**". The National Conference of State Manufacturers held in Chicago in January adopted a resolution stating that it is "fundamental in this country that all law-abiding citizens or residents thereof have the right to work when they please, for whom they please, and on whatever terms are mutually agreed upon between employee and employer, and without interference or discrimination on the part of others". Labor leaders have claimed that the open-shop propaganda was in reality an attempt of reactionary employers to rid themselves of the necessity of having dealings with organized labor and that instead of favoring a shop in which there is no discrimination against union or non-union men they were actually seeking to establish a system under which only non-union men could find employment. At a conference of the leaders of more than one hundred international unions held in Washington in February the following resolution was adopted: "Reactionary employers have joined their might in a campaign which they are pleased to call a campaign for the 'open shop' which they have been waging vigorously since the signing of the Armistice. Compelled by pressure of public opinion to accept labor's coöperation during the war when the utmost conservation of productive energy

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was necessary to the life of the nation, they cast off all pretense immediately upon the passing of the emergency. This entire campaign on the part of the combined reactionary employers is in no sense a campaign for the 'open shop'. No matter what definition may be given to that term, the campaign is distinctly and solely one for a shop that shall be closed against union workmen. It is primarily a campaign disguised under the name of an 'open shop' campaign designed to destroy trade unions and to break down and eliminate the whole principle of collective bargaining which has for years been accepted by the highest industrial authorities and by the American people as a principle based upon justice and established permanently in our industrial life."—**Unemployment** steadily increased during the period of business depression. In April the Bureau of Labor Statistics received and tabulated reports concerning the volume of employment in representative establishments in thirteen manufacturing industries and in bituminous coal mining. A comparison of the figures for April, 1921 with those for identical establishments one year earlier showed decided decreases. The largest decreases, 41.9 per cent and 40.9 per cent respectively, occurred in the automobile and leather industries. Iron and steel showed a decrease of 36.2 per cent, and hosiery and underwear a decrease of 32.2 per cent. The smallest decrease, 0.4 per cent, appeared in cotton-manufacturing. In January the Bureau estimated that the number of the unemployed had increased 3,473,466 during the year.—Many **wage-reductions** have been announced. A wage cut of 22½ per cent for 35,000 cotton-mill operatives was made on December 23. On January 10 a similar reduction was made in fifty mills of the American Woolen Company. The Bethlehem Steel Plant on January 16 put into effect a wage-reduction of from 8 to 20 per cent. In Chicago, 9,000 Pullman Car Company employees made a voluntary offer to accept wage-reductions amounting to 20 per cent. In February the Standard Oil Company announced wage-reductions of from 2 to 10 per cent. In March the large shipyards in the New York district reduced wages 10 per cent. Similar reductions occurred in the Chicago stockyards. On May 3 the United States Steel Corporation reduced the wages of all day laborers 20 per cent. This affected some 150,000 men. The railroads have also made extensive wage-reductions (*cf. supra*, p. 26).—On January 3 the United States Supreme Court in the case of the Duplex Printing Press Co. *v.* Deering, 41 S. C. R. 172, decided that the Clayton Act of 1914 does not legalize a **secondary boycott** interfering with interstate commerce.—The annual convention of the **American Federation of Labor** met in Denver during the last weeks in June. Samuel Gompers was elected president for a fortieth term by a vote of 25,022 as against 12,324 for John L. Lewis, president of the United Mine Workers. The convention's most radical move was its

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strong reaffirmation of government ownership and democratic operation of the railroads. The Irish question caused much discussion but the resolution demanding a boycott of British goods failed of adoption. Congress was, however, requested to recognize the "Irish Republic". The resolution recommending an amendment to the United States Constitution taking from Congress the right to declare war and substituting a referendum plan was defeated.

TERRITORIES AND DEPENDENCIES. — In June the Senate ratified the appointment of Mr. Scott C. **Bone** as **Governor of Alaska.** In his annual report to Congress early in December, former Governor Riggs urged the adoption of a colonial policy for the territory. As a step in this direction, he recommended that Congress enact the **Alaska Development Board Bill.** Census returns gave the territory a population of 54,718, a decrease of 14.9 per cent in ten years.—Francis Burton Harrison, after serving eight years as Governor-General of the **Philippines,** resigned office February 5. In his annual report, made public December 1, he again urged that the Filipinos be granted their independence, a recommendation earnestly seconded by President Wilson in his message to Congress December 7. Soon after his inauguration President Harding delegated Major-General Leonard C. Wood and W. Cameron Forbes, former Governor-General of the territory, to investigate and report on the question of independence for these Pacific islands. The mission is now on a tour of inspection through the archipelago. — By the census of 1920 the population of **Hawaii** was 255,912, an increase in ten years of 64,003 or 33.4 per cent; out of the total population the Japanese numbered 109,274, an increase of about 33 per cent since 1910. The Filipino inhabitants of the territory increased from 2,361 in 1910 to 21,031; the native Hawaiians decreased in the last decade from 26,041 to 23,723. Wallace R. Farrington has recently been appointed Governor.—The first general election since the granting of American citizenship was held in **Porto Rico** on November 2. E. M. Reily was appointed as governor of Porto Rico. —On March 28 Colonel Jay J. Morrow was appointed Governor of the **Panama Canal Zone** and, on the same date, Captain S. E. W. Kittelle was selected as Governor of the **Virgin Islands.**

V. MEXICO AND THE CARIBBEAN STATES

MEXICO. — The last weeks of the administration of Provisional President de la Huerta witnessed **minor revolts** against the new régime, the most formidable being that of Esteban Cantu who attempted by force of arms to maintain his dictatorial position as governor of the upper province of Lower California; it was announced on August 16 that he had capitulated. One favorable omen for the future peace of the country was the surrender of the famous bandit-leader, Francesco Villa, on July 28; three days later his example was

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followed by General Leon Martinez, rebel leader of San Luis Potosi. —General Alvaro **Obregon** was on September 5, by a vote of 1,131,751, **elected president** of the republic for a term of six years; his opponents, Alfredo R. Dominguez, the candidate favored by the American oil interests, and Nicholas Z. Nurauda, polled a light vote. As a result of **congressional elections** held on August 1 the Liberal Constitutionalists, the president-elect's party, secured a majority of 150 in the Senate and 240 in the Chamber of Deputies. The inauguration of the new president, December 1, was followed by announcement of his **cabinet**: Interior, General Elias Calles; Foreign Affairs, Dr. Cuthberto Hidalgo; Treasury, Adolfo de la Huerta (retiring president); War, General Benjamin Hill; Agriculture, General Antonio Villareal; Commerce and Labor, Rafael Zubaran-Campany; Public Works, Pasquale Rubio. General Obregon announced that his first duty would be to straighten out Mexico's financial tangle by adjusting overdue interest on foreign loans and paying liabilities resulting from attacks on the lives and property of foreigners. He declared his administration would be one of "honesty and morality"; that he would not recommend alteration of Article 27 of the Mexican Constitution in order to meet the desires of foreign interests, but that foreign capital would be welcome and invested interests legally protected. As a step toward financial reform the army was reduced from 150,000 to 5,000. In order to reduce the foreign debt, the export tax on petroleum products was to be increased 25 per cent beginning July 1. — Despite these efforts toward stabilizing the country, numerous revolts continued. Of deepest concern to the administration was its **failure to secure recognition** by Great Britain, France and the United States, although several other countries, including Brazil, Germany, Holland and Japan, granted recognition. The cause of this failure was the refusal of the Obregon government to modify Article 27 of the Mexican constitution so as to favor foreign oil interests. Senator Fall of New Mexico, a few days prior to his appointment to the United States cabinet, advised the National Association for the Protection of American Rights in Mexico that so long as he had anything to do with the Mexican question no government of Mexico would be recognized, with his consent, until it had first entered into a written agreement "promising to protect American citizens and their property rights in Mexico". A new organization called the **American Association of Mexico** insisted that Mexico rewrite her constitution, eliminating Article 27 and such other clauses as restricted foreigners. At a conference of oil-company executives held in Galveston on March 16 it was decided that so long as Article 27 remained unmodified American oil interests would oppose recognition. Preliminary **negotiations, looking to recognition** by the United States, were entered into last October, but the contention over Article 27 blocked further progress. After further

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correspondence, Secretary of State Hughes brought the discussion to a head on June 7 by proposing a treaty of amity and commerce by which Mexico would agree to safeguard property rights existing prior to promulgation of the constitution of 1917, but he did not define "property rights". The Obregon government, apparently fearing to pledge itself not to disturb alleged rights vested in monopolies, refused to enter into any such arrangement; President Obregon contended that negotiations must be conducted with both parties acting on the basis of equality.—Radical demonstrations and labor disturbances were frequent.

THE CARIBBEAN STATES. — The first election in **Cuba** under the new electoral code (*cf.* last RECORD, p. 88) was held on November 1. The Conservatives, who had nominated General Rafael Montalvo on May 23 (*cf.* last RECORD, p. 89), subsequently withdrew his name and joined with the Popular party (a seceding wing of the Liberals) in nominating Dr. Alfredo Zayas; General José Miguel Gomez was the nominee of the Liberals. While on the face of returns Dr. Zayas was elected, the Liberals declared that the election had been attended by fraud, intimidation and suppression of returns. The Liberals finally appealed to Washington and President Wilson sent General Crowder to investigate. The charges of the Liberals were in part substantiated, and new elections were held in four provinces on March 15. Dr. Zayas was again elected, but the opposition made a futile effort to prevent the passage of the official ratifying proclamation by absenting themselves from congress. The new president was inaugurated May 20. The island suffered serious financial difficulties during the year.—The policy of the United States in **Haiti** was severely criticized during the year. Grave charges of abuse of power, of favoring financial interests, of establishing an iron censorship, and of mysterious killings, appeared in the American press during the autumn, and in an official report by Brigadier-General George Barnett, which, however, was not made public by the Navy Department until October 16. These charges were categorically denied by Secretary of State Colby on September 20, and a special naval court of inquiry reported on December 18 that General Barnett's charges were "ill-considered, regrettable and thoroughly unwarranted reflections" upon the work of the Marine Corps in Haiti; that the Corps had performed a difficult, dangerous and delicate duty in a way worthy of the highest commendation. This verdict was characterized as absurd by James W. Johnson, Secretary of the Association for the Advancement of Colored People. On May 8 the charges were reiterated by three Haitian delegates, who memorialized the American government and demanded that the United States military forces be immediately withdrawn. Reports of misgovernment still continued. — In a proclamation issued June 14 the United States pledged withdrawal from **Santo**

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Domingo within eight months, provided the following conditions, among others, were fulfilled: orderly elections for a new government, ratification of the military government's acts, and validation of the republic's loan. — The Acosta government of **Costa Rica** was recognized by the United States on August 2, and universal suffrage was adopted on the twenty-third. It was announced on March 17 that the Costa-Rican congress, by a vote of 24 to 14, had sustained the action of the Costa-Rican president in refusing to recognize the validity of oil concessions granted to British interests by the Tinoco government. This action was also officially approved by the United States in a note to Great Britain under date of April 19.—Dr. Carlos Herrera, provisional president of **Guatemala,** was chosen permanent president by an overwhelming majority in elections which closed August 29. Estrada Cabrera, deposed president, on November 22 requested the good offices of the American government in obtaining his release from prison on the ground of ill health, and it was reported from Washington in June that this request would be made.—The government of **Honduras** was recognized by the United States in August.—It was announced, October 25, that Diego Manuel Chamorro had been elected president of **Nicaragua.** Although the polls were guarded by American marines, supporters of José Andres Urtecha, his opponent, charged that the election was fraudulent. It was reported on April 23 that Nicaragua had withdrawn from the League of Nations because of the expense involved.—Dr. Belasario Porras was chosen president of the **Republic of Panama** on August 1. Census reports gave the population of Panama as 401,428, not including Indians, an increase of 33 per cent over 1910. — The cabinet of **Salvador,** headed by Dr. Francisco Juan Paredes, resigned on March 11, but the resignation was not accepted.—(*Cf.* American Relations, *supra.*)

VI. SOUTH AMERICA

THE ABC POWERS.—Financial stringency, trade depression and labor unrest are the major problems which the South American states labored with during the year. — In the **Argentine Republic,** strikes, especially among the port workers of Buenos Aires, finally led to governmental intervention. In retaliation the strikers on May 29 destroyed the Custom House warehouses, causing a loss of millions of pesos. Dr. Luis Maria Drago, noted jurist and author of the world-famous Drago doctrine, died on June 9. — Announcement was made in January that the largest manganese mine in the western hemisphere, situated in the state of Minas Geraes, **Brazil,** had been purchased by the United States Steel Corporation for $4,000,000. The population of Brazil, by census taken in September, was 30,553,509, and of Rio Janeiro 1,157,873; approximately 12 per cent of the total population of the country were stated to be negroes. Owing to sev-

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eral bomb explosions in the capital measures were taken to curb activities of foreign anarchists. — The most bitter presidential campaign ever waged in **Chile** resulted in the election of Arturo Alessandri by 179 electoral votes to the 174 cast for Luis Borgono. The closeness of the vote and charges of fraud resulted in the naming of a Court of Honor, composed of two former vice-presidents, the presiding officers of the Senate and Chamber of Deputies, and three others chosen by these four: one from each of the rival parties and the third a prominent citizen with no party affiliations. The court held, five to two, that Alessandri had received 177 electoral votes to 176 for Borgono. At the opening of the Chilean congress, June 1, President Alessandri emphasized the necessity of reaching a solution of the Tacna-Arica question; as a means to this end he suggested that a plebiscite be held for the purpose of determining whether these districts should remain Chilean or become Peruvian. He proposed a conference of representatives of Peru, Chile, Ecuador and Colombia to settle the boundaries of all the west-coast nations; he also proposed the creation of the office of vice-president, reorganization of the Foreign Office, separation of Church and State, woman suffrage, and state control over the nitrate industry. During the year the Krupps of Germany purchased valuable ore mines and also secured a concession for 500,000 acres of valuable timber land.

SMALLER STATES.—As the result of a successful revolution led by Bautista Saavedra, the government of Gutierrez Guerra, president of **Bolivia,** was overthrown on July 11; the cause of the uprising was the pro-Chilean policy pursued by the Guerra administration. A National Assembly on January 24 elected Saavedra as president of the republic; his government was recognized by the United States on February 10. — In **Colombia** general satisfaction was expressed over the ratification of the Colombian treaty by the United States. The Petroleum Company, Ltd., a subsidiary of the Standard Oil Company of New Jersey, acquired large concessions of territory during the year.—Dr. José Luis Tamayo was inaugurated president of **Ecuador** on August 31. Timber and oil experts from the United States made extensive exploration of the country. — Dr. Manuel Gondra became president of **Paraguay** on August 15. During the past year the country suffered financial embarrassment. — Great Britain, Germany and the United States, during the year, competed in extending relations with **Peru.** Efforts to overthrow the government of President Leguia, November 10, proved futile.—In **Uruguay** a Socialist congress on September 22, by an overwhelming majority, voted to adhere to the Third International. By act of the Uruguayan Congress, August 5, duelling was again legalized.—A revolt led by General Juan Pablo Penaloza against the government of **Venezuela** was crushed. A subsidiary of the Standard Oil Company of New Jersey leased 1,000,000 acres of Venezuelan territory. British oil prospectors were also active.

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VII. THE BRITISH EMPIRE

THE UNITED KINGDOM. — Although often fiercely attacked upon the grounds of extravagance and failure to make progress in the settlement of the Irish question, the **Lloyd-George coalition ministry** was able to maintain itself throughout the period under review. —Several important **changes** occurred **in high administrative offices.** In February, Viscount Milner, Secretary of State for the Colonies, and Walter Long, First Lord of the Admiralty, resigned their positions in the cabinet. Thereupon W. L. Spencer Churchill became Secretary of State for the Colonies; Sir Laming Worthington-Evans, Secretary of State for War, in succession to Churchill; Lord Lee, First Lord of the Admiralty; and Sir Arthur Griffith-Boscawen, Minister of Agriculture and Fisheries, in succession to Lord Lee. When the Minister of Agriculture stood for reëlection at Dudley he was defeated by the Labor candidate, but Lieutenant-Colonel Boles of Taunton resigned his seat in order to give the defeated minister another chance of election. In this contest the minister was successful. A sensation was caused in political circles on March 17 by the **resignation of Andrew Bonar Law** as leader of the House of Commons and Lord Privy Seal in the cabinet. The resignation was caused by failing health due to long and arduous service. On March 21 J. Austen Chamberlain was unanimously elected as Unionist leader in the place of Mr. Law, and was appointed Lord Privy Seal. Other important **ministerial changes** followed. Lord Edmund Talbot succeeded Viscount French as First Viceroy of Ireland under the Home Rule Act. Lord Talbot was the first Catholic to be appointed Viceroy of Ireland. Sir Robert S. Horne, who was President of the Board of Trade, became Chancellor of the Exchequer in the place of Mr. Chamberlain; Christopher Addison, who had been Minister of Health, became Minister without Portfolio; F. E. Guest became Secretary of State for Air; Stanley Baldwin became President of the Board of Trade; Sir Alfred Mond, who was First Commissioner of Works, became Minister of Health; the Earl of Crawford and Balcarres became First Commissioner of Works; and F. G. Kellaway became Postmaster-General.—On April 25 J. W. Lowther, **Speaker of the House of Commons** since 1905, resigned his position. He was succeeded by J. H. Whitley, Deputy Speaker since 1911.—Justice A. T. Lawrence was appointed **Lord Chief Justice** in the place of Lord Reading, new Viceroy of India.—Ministerial appointments and resignations caused a considerable number of **by-elections** during the year. In August Labor succeeded in gaining South Norfolk from the Coalition by a majority of over 2,000. In the Woodbridge Division of Suffolk the Coalition candidate defeated the Labor candidate by a majority of almost 1,200. The Coalition majority at the general election in 1918

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was 1,800. The Ilford contest, in October, was likewise in favor of the Coalition, whose candidate won by a majority of over 9,000. In November the by-election in the Wrekin Division of Salop resulted in a victory for Major-General Townshend, Independent. His majority over the Labor candidate was almost 4,000. In the contests at Abertillery and West Rhondda the Labor party candidates were successful. The Coalition won in the by-election at Hereford but its majority was reduced from 7,950 in 1918 to 2,359. In Dover, however, the Government sustained a sensational defeat. A majority of 6,128 in the general election was changed into a defeat by a majority of 3,130. Colonel Sir Thomas Polson, Independent, was elected over Major J. J. Astor on an anti-waste platform. The Cardigan election was won by the Coalition by a 3,590 majority. Four by-elections occurred early in March. In East Woolwich, the Coalition candidate, Captain R. Gee, defeated Ramsay MacDonald, Labor candidate, by 683 votes; in Dudley, James Wilson, the Labor candidate, defeated Sir A. Griffith-Boscawen, Coalition Minister of Agriculture; in Kirkcaldy and in Penistone the Labor candidates were successful. Coalition candidates were returned in Taunton, Pollock, Dorset, Bedford, Bewdley, Hastings, Penrith and Abingdon, but were defeated in St. George, Heywood and Hertford. In St. George's and Hertford, Independent Anti-Waste candidates were successful; in Haywood the Labor candidate was elected. Since the last general election the Coalition lost fifteen seats to Labor, Liberals and Independents, and gained one seat from Labor.—On November 1 **borough elections** were held. The Labor party had 747 candidates in the contests. Of these 199 were elected and 548 defeated. No decided change occurred in the strength of the major parties. — **Parliament** continued in session until December 23 except for several weeks' recess in September and October. The **Finance Act** of 1920 increased the duties on spirits, beer and wine; placed an additional duty on cigars; repealed the customs duties on motor spirit; established the income-tax rate at 6*s.*; and increased the excess-profits tax from forty to sixty per cent.—The **Mining Industry Act** provided for the establishment of a Mines Department of the Board of Trade and prescribed its powers and duties relative to the exportation and price of coal. — The **Agriculture Act** provided for the continuance of the Corn Production Act of 1917; laid down the minimum prices for wheat and oats; and authorized the Ministry of Agriculture to enforce proper cultivation.—The **Dyestuffs Act** prohibited the importation of synthetic dyestuffs except under license.—The **War Emergency Laws Act** continued temporarily certain emergency enactments and regulations.—The **Emergency Powers Act,** passed when the railway strike was threatening, provided that in case of serious interference with the supply and distribution of food, water, fuel, light, or means of locomotion His Majesty may

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declare a state of emergency and authorize such action and make such regulations as may be necessary for the preservation of the peace and for securing the necessaries of life to the community.—The **Restoration of Order in Ireland Act** provided that where it appears to His Majesty in Council that, owing to the existence of a state of disorder in Ireland, the ordinary law is inadequate for the maintenance of order, regulations may be issued by the King in Council under the Defence of the Realm Act for securing the restoration and maintenance of order. All regulations so made must be laid before Parliament as soon as possible.—The **Government of Ireland Act** (*cf.* last RECORD, pp. 95-96) received the royal assent on December 23. The committee stage of the bill was completed early in November. One of the last debates during that stage was on an amendment proposing to confer on the Irish parliament control over customs and excise. Although the amendment was ably supported it was rejected by 166 votes to 37. On November 11 the division on the third reading of the bill resulted in 183 for and 52 against. There were excellent debates on the Home Rule bill in the House of Lords, the speech of Lord Grey in favor of such fiscal autonomy for Ireland as the Dominions possess being especially noteworthy. Lord Midleton's motion that the House adjourn for a fortnight, during which representatives of the parties might meet and improve the bill was rejected by 86 votes out of 268 cast. On December 2, the Government suffered a defeat when an amendment to the bill providing for an upper house in each of the Irish parliaments was adopted by a vote of 120 to 36. The bill obtained its third reading on December 14 and was passed, the first Home Rule Bill to receive the approval of the House of Lords. The House of Commons accepted the amendment of the Lords relative to the senates for Ireland and compromised on their other amendments.—During the fall there were many economy debates but supplementary estimates were presented by the government and approved by the House. The original Army estimate was £125,000,000 but £39,750,000 supplementary estimates were voted in December, bringing the total up to £164,750,000. Later votes brought the total of supplementary estimates to approximately £78,000,000.—On February 15 Parliament was opened by the King with impressive ceremonial. The **King's speech** announced that the estimates to be presented by the Government would reflect a determination to reduce expenditure to the lowest level consistent with the well-being of the Empire; deplored the criminal violence rampant in Ireland but expressed the hope that the majority of the people of Ireland would soon repudiate violence and honestly seek to work out the provisions of the recent act conferring upon them the responsibilities of self-government; and recommended the passage of the Unemployment Insurance Bill, the bill to safeguard essential key industries, the Rail-

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way Reorganization Bill, and bills for the completion of land-purchase in Ireland and the regulation of the sale of alcoholic liquors — all of which would be presented by the Government. He also hoped that the reform of the House of Lords would receive attention. — In the **debates on the address** in reply to the speech from the Throne, which occupied the Commons for one week, the subject of unemployment received considerable attention. The Labor members accused the Government of failing to make adequate provision for those out of work. The Prime Minister and the Minister of Labor vigorously defended the Government, Mr. Lloyd George condemning particularly the refusal of the Bricklayers' Union to admit ex-service men. To ask for the right to work and then make it conditional on the consent of the unions was a "sham and hypocrisy". On the division that followed the debate, the Labor amendment was lost, 262 to 84. Amendments criticizing the policy of the Government in regard to German reparations and the trial of war criminals, and in regard to reprisals in Ireland, were lost by about the same majorities. Shortly after the beginning of the session the estimates for various services were submitted to the House of Commons. On April 25 Mr. Austen Chamberlain, though no longer Chancellor of the Exchequer, presented the **budget for 1921-22** in the House of Commons. A new loan was proposed for the purpose of converting into long-term securities some of the war bonds which were to mature during the next few years. The total ordinary expenditure was estimated at £974,000,000 but the Government proposed to raise £1,058,000,000. The following final balance sheet is contained in the Treasury White Paper. Ordinary receipts—customs, £126,800,000; excise, £196,200,000; motor tax, £9,000,000; estate duties, £48,000,000; stamps, £21,000,000; land tax and house duty, £2,500,000; income tax, £410,500,000; excess-profits duty, £120,000,000; corporation-profits tax, £30,000,000; post-office, £60,000,000; crown lands, £650,000; receipts from sundry loans, £12,000,000; miscellaneous receipts, £21,500,000; total receipts, £1,058,-150,000. Expenditures — total consolidated Fund Services, £371,272,-000; supply services: army, £95,963,000; navy, £80,479,000; air force, £16,940,000; civil services, £327,503,000; customs and excise departments, £14,701,000; post-office services, £67,165,000; total expenditures, £974,023,000. Against the surplus of £84,127,000 must be set contingencies particularly in connection with the coal-stoppage. It was estimated that the sum to be realized from war assets would be £158,500,000; that expenditures in the liquidation of war commitments would be £65,705,000; and that over against the surplus of £92,795,000 would have to be set liabilities arising out of the liquidation of war agreements for the control of railways, in particular arrears of maintenance and deterioration. No new taxes were proposed, but the surtax of 50 per cent *ad valorem* on cigars was abandoned. A specific

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duty of 15*s.* a gallon was imposed on sparkling wines instead of the existing duty of 7*s.* a gallon and an *ad valorem* duty of 33⅓ per cent. The income tax remained at 6*s.* in the pound; the super-tax, from 1*s.* 6*d.* to 6*s.* in the pound, according to the size of the income; corporation tax, 1*s.* in the pound on profits of limited-liability companies after the first £500; motor cars, £1 per horse-power unit; motor bicycles, £1 10*s.* to £4; beer, £5 per barrel; spirits, 75*s.* 4*d.* per proof gallon; postage, letters, 2*d.*; newspapers, 1*d.*; postcards, 1*d.*; telegrams, minimum 1*s.* — Although financial matters consumed the largest amount of the time of Parliament during the first months of the session, a number of important laws were enacted. The **German Reparation Act** provided machinery by which the failure of Germany to meet the Allies' reparation claims may be punished by a levy on German imports entering the United Kingdom.—The **Emergency Unemployment Act** increased unemployment pay to 18*s.* per week.—The **Decontrol of the Coal Mines Act** provided that Government control of the coal industry should be discontinued on March 31 instead of on August 31.—The **Tribunal of Inquiries Act** authorized the setting up of tribunals to inquire into matters of urgent public importance. The bill was considerably modified by the House of Lords. — Other bills that were much debated, but which had not been enacted at the close of the period under review, were those dealing with divorce-law reform, liquor-licensing, safeguarding key industries and preventing dumping, railway reorganization, and unemployment insurance.—The violent opposition aroused by the revenue bill caused the Government to announce that the bill would not be pressed. The change proposed in the administration of the income tax was the chief object of the attack on the bill.—The first **Imperial Conference** since the war convened in London on June 20. Lloyd George welcomed the representatives of the self-governing dominions and of India and spoke of the world situation and the significance of the gathering. "There was a time", said the Premier, "when Downing Street controlled the Empire. Today the Empire is in charge of Downing Street." The delegates present were: Lloyd George, Austen Chamberlain, A. J. Balfour and Winston Churchill for the United Kingdom; Arthur Meighen, Prime Minister of Canada; W. M. Hughes, Prime Minister of Australia; W. F. Massey, Prime Minister of New Zealand; General Smuts, Prime Minister, Thomas Smartt, Minister of Agriculture, and Col. H. Mentz, Minister of Defence, for South Africa; E. S. Montagu, the Maharaja of Cutch, and Srinivasi-Sastri for India. The meeting on June 21 was addressed by General Smuts and Premier Hughes. Both urged the conference to invite Japan and the United States for a discussion of the limitation of naval armaments. On June 27 Premier Meighen of Canada discussed the **rights of the Dominions relative to foreign affairs.** He advanced, it is reported, propositions to

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the effect that on all questions of foreign policy more directly affecting the British Government the Governments of the Dominions should be kept constantly informed; that on all questions of foreign policy affecting the Empire as a whole the Dominions should be consulted; that the British Government should make no treaties or special alliances without consultation with the Dominions, and that such treaties should be subject to the approval of the Dominion parliaments; and that on all questions arising between the United States and Canada the advice of the Dominion government should be accepted. At the meetings on June 28 and 30 the question of the renewal of the **Anglo-Japanese alliance** was discussed. Lord Curzon, the Foreign Secretary, explained to the Conference all the aspects of the alliance and Mr. Balfour emphasized the necessity of bringing the alliance into harmony with the requirements of the League of Nations.—The year under review witnessed continuous **warfare in Ireland** between Irish extremists and the British forces (*cf.* last RECORD, pp. 98-99). The large number of assaults made by the revolutionaries on the military and the police naturally led to reprisals in which the innocent often suffered. From August 26 to September 2 a serious conflict between the factions raged in Belfast. It was officially reported that 214 premises had been destroyed and 25 lives lost during the week.—On August 16 Alderman Terence **McSwiney,** Lord Mayor of Cork, was convicted by court-martial for having seditious documents in his possession. He was removed to Brixton Prison, London, where he died after a hunger strike lasting 74 days.—A new element of strife was introduced in Ireland by the advent of the "**Black and Tans**", recruits of the Royal Irish Constabulary enlisted in England. A detachment of these forces on September 21 sacked and burned Balbriggan in retaliation for the murder of two policemen. A few days before, a pitched battle was fought near Enniskerry, North Wicklow, between the military and Sinn-Feiners. On November 22, 14 officers and ex-officers were killed in Dublin and on the same day Crown forces fired on a football crowd in Dublin, killing 12 spectators and wounding many others. On November 30 a patrol of the Auxiliary Division was ambushed at Macroom and 17 members were killed. On December 10 the Prime Minister announced that martial law would be proclaimed in four Irish counties and that the death penalty would be imposed upon those who after a certain date were found in the possession of arms or were wearing unauthorized uniforms. A few days later the City Hall at Cork and property worth $15,000,000 in the heart of the city were destroyed by incendiaries. On December 29 the Parliamentary Labor Party passed a resolution demanding that the Government withdraw all armed forces from Ireland and allow elections to be held for an assembly to establish an Irish constitution. Late in December the Government published an

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official statement relative to the **outrages** committed **by Irish revolutionaries** during the year. It comprised 69 court-houses and 532 R. I. C. barracks destroyed, 73 R. I. C. barracks damaged, and 31 raids on mails. The casualties suffered by Crown military forces were 54 killed and 116 wounded; by the police, 176 killed and 351 wounded.—Toward the end of the year it became clear that **negotiations for a truce** were in progress. On January 6 Rev. Michael O'Flanagan, Vice-President of Sinn Fein, had a conference with Lloyd George. These efforts were continued during the following months. In the meantime the government continued its policy of repression against violators of the law. But outrages and reprisals went on unabated. On March 7 Eamonn de Valera, the Irish Republican leader, issued a manifesto, adopted at the January meeting of the Dail Eireann, in the form of an address to the representatives of foreign nations, demanding self-determination for Ireland.—On May 13 **elections** were held **in Ireland** for members of the new parliament provided for in the Home Rule Act. Four imperialist candidates were returned unopposed for Dublin University. In all of the other 124 constituencies of Southern Ireland, Sinn-Feiners, who had declared that they would not take the oath of allegiance to the Crown and would thus prevent the new Parliament from functioning, were returned unopposed. On May 24 the contested elections for members of the **Northern Parliament** took place. The Unionists secured 40 seats as against 11 won by Sinn-Feiners and Nationalists. Among the Sinn-Feiners elected were de Valera, John MacNeil, Michael Collins, chief of the Irish Republican Army, and Arthur Griffith. Joseph Devlin, Nationalist, was also elected. On June 7 the organization of the Northern Parliament took place at Belfast. The 40 Unionist members were sworn in as were also a large number of government officials, but the opposition failed to put in its appearance. The new Viceroy of Ireland, Viscount Fitzalen, formerly Lord Edmund Talbot, presided at the ceremonies. Robert William Hugh O'Neill was unanimously elected Speaker. Premier Sir James Craig, who succeeded Sir Edward Carson as leader of Ulster Unionists, announced the following **cabinet** members: Home Secretary, Sir Dawson Bates; Minister of Finance, H. M. Pollock; Minister of Education, The Marquis of Londonderry; Minister of Labor, J. M. Andrews; and Minister of Agriculture, E. A. Archdale. It was announced that the King would open the Parliament in person on June 22.—The elections, however, did not bring a cessation of fighting, burning and reprisals. In attacks upon the Crown forces during the week ending May 16, some 33 persons were killed and on May 25 the Dublin Customs House, one of the most beautiful buildings in Ireland, was burned by Sinn-Feiners. The damage was estimated at $10,000,000, which sum, Lloyd George stated, Southern Ireland would be forced to pay in additional taxes. During

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the fighting that accompanied this act of violence, 7 civilians were killed, 4 auxiliaries and 7 civilians wounded, and 111 prisoners taken by the police.—The Irish revolutionaries even attempted, so it was alleged, to carry their methods of terrorism into England. On May 15 fires ascribed to Irish incendiaries broke out in London and Liverpool.—The **northern Parliament was opened** on June 22 by the King, who in his speech made a plea for the settlement of "the age-long Irish problem". After referring to the fact that self-government had been granted to other parts of the Empire, also divided in race and religion, he said: "I am emboldened by that to look beyond the sorrow and anxiety which have clouded of late my vision of Irish affairs. I speak from a full heart when I pray that my coming to Ireland today may prove to be the first step towards an end of strife amongst her people, whatever their race or creed. In that hope I appeal to all Irishmen to pause, to stretch out the hand of forbearance and conciliation, to forgive and to forget, and to join in making for the land which they love a new era of peace, contentment, and good-will. It is my earnest desire that in Southern Ireland, too, there may ere long take place a parallel to what is now passing in this hall." In following up the favorable impression made by the speech of King George, the Prime Minister on June 24 sent a personal letter to de Valera, inviting him to come to London with such colleagues as he might choose to attend a **conference** with the British Government and Sir James Craig, Prime Minister of Ulster. The invitation was accepted and during the last days of June preparations were made for the conference, in which great hope was placed by both parties to the controversy. The first meeting was held early in July.—A summary of the **liquor polls held in Scotland** early in November showed that 149 districts decided upon no change, 24 favored a reduction of licenses, and 18 voted dry.—**Labor conditions** in the United Kingdom continued threatening throughout most of the year. Industrial depression causing much unemployment and consequent demands upon the Government for subsidies still further complicated an already serious condition. In August at the conference of the **Miners Federation** it was decided to demand of the Government that the price of domestic coal be reduced 14*s.* 2*d.* per ton and that wages be increased from 2*s.* per day for adults to 9*d.* for workers under 16 years old. Protracted negotiations to avert a strike followed. On October 14 the Federation, against the advice of Robert Smillie, decided to reject the owners' offer of an advance in wages of 2*s.* a shift providing a production of 248,000,000 tons yearly were guaranteed, and two days later 1,000,000 miners went on strike. The Government immediately took action to protect stocks of coal on hand by limiting the amount to be used by railways, shipping and industry. Negotiations between the parties and the Government continued, however,

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and early in November a provisional settlement was reached. The wage demands of the miners were agreed to but their permanency was made contingent upon a sustained volume of production. The miners cast a small majority against the settlement, but since a two-thirds vote was necessary for the continuance of the strike, notices urging the men to return to work were issued by the Executive Committee of the Federation.—Throughout the winter months the chief concern continued to be the **unemployment crisis.** On January 23 the number of unemployed reached 1,060,000, many of whom were ex-soldiers. Early in February the building trades rejected overwhelmingly a Government proposal for "diluting" the building industry by the addition of former service men to relieve unemployment.—**A coal-miners' strike** was precipitated by the Government's policy, approved by Parliament, to discontinue governmental control of the coal industry at the end of March instead of at the end of August. Negotiations between the owners and the miners came to a deadlock on March 24. The miners contended for the principle of a standard rate throughout the country while the owners demanded that rates be adopted according to the circumstances prevailing in each district. The miners' chief grievance was against the Government because of its rejection of their demand that the State should help the industry and provide the funds necessary to enable the more unprofitable collieries to keep at work under the current rate of wages. On March 30 the Miners' Federation sent instructions to its members ordering out all men on the day following. Even the pumpmen were ordered to withdraw although this action would mean the flooding of the mines and great industrial disaster. Thereupon a royal proclamation was issued declaring "a state of emergency". At midnight on March 31 work ceased in practically all of the mines. The Board of Trade ordered the rationing of coal. Conditions became more threatening on April 8 when the railway men and the transport workers declared for a **sympathetic strike** to begin on April 12. A six-hour conference on April 11, attended by the parties to the controversy and the Premier, ended in failure, though the railway men and the transport workers had agreed to postpone the sympathetic strike for at least twenty-four hours. On the 13th it was announced that the men would be called out on the next day. Late on the following day Mr. Frank Hodges, the miners' secretary, intimated at a meeting with a number of the members of Parliament that the miners would discuss the question of wages with the owners and the Government providing that their other demands, a national wage board and a national profits pool, would be considered later. These members of Parliament carried on the further negotiations which finally resulted in averting the sympathetic strike. The railway men and the transport workers supported Mr. Hodges's offer but the miners repudiated it and insisted

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upon a general strike. This disagreement caused a definite breach in the famous Triple Alliance and resulted in the withdrawal of the orders for a sympathetic strike. The miners' strike continued, however, until the end of June and was complicated by the refusal of the railroad men and transport workers to handle imported coal. The **settlement of the strike,** which had lasted over twelve weeks, was reached on June 28 by the acceptance of the Government's offer of a public grant of £10,000,000 to the miners. Wages were fixed at twenty per cent above the pre-war level and an arrangement was effected whereby labor would share in the profits of the mines. The agreement was to run to September, 1922, subject to termination on three months' notice.—On May 13 the total number of persons wholly unemployed or working systematically on short time was 3,120,000.—Toward the end of June there were considerable reductions in the wages of cotton and woolen operatives in the Lancashire and Yorkshire districts.—On June 22 the **Labor Party Conference** by a vote of 4,515,000 to 224,000 rejected the request of the **Communist Party** of Great Britain for affiliation.

CANADA AND NEWFOUNDLAND.—Sir Robert **Borden,** Prime Minister of Canada since 1911, resigned on July 10; he was **succeeded by** Hon. Arthur **Meighen,** Minister of Interior. With three exceptions the personnel of the **cabinet** was not changed although there was some rearrangement of portfolios. The new appointees were R. W. Wigmore, Minister of Customs and Internal Revenue; F. B. McCurdy, Minister of Public Works; and E. K. Spinney, Minister Without Portfolio.—During the year a number of **federal by-elections** were held. On September 20 the counties of St. John, Albert and New Brunswick elected R. W. Wigmore and F. B. McCurdy by large majorities. In the by-election in East Elgin, Ontario, in December, the government candidate suffered defeat. A similar election in Cariboo, British Columbia, was carried by the Conservatives. The government was defeated in West Petersborough on February 7 when a Liberal candidate was elected.—As a nucleus for the **Canadian navy,** Great Britain in December presented Canada with a cruiser and two destroyers.—By an Order in Council adopted December 1, effective December 15, no **immigrant** will be allowed to enter Canada unless he possesses $250 in his own right; if the immigrant is accompanied by his family he must have $125 for each member over 18 years of age and $50 for each child between 5 and 18 years.—In presenting the **annual budget** to the House of Commons on May 9 Sir Henry Drayton, Minister of Finance, stated that expenditures would total $591,437,697 with receipts of $435,360,971; the deficit was to be met by taxes on playing cards and liquors, and an increase of from one to two per cent on sales by manufacturers, wholesalers, jobbers and importers. The total debt of the country amounted to $2,350,236,700.—

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Canada's **trade** for the twelve months ending December, 1920, totaled $2,639,726,135, an increase of about $400,000,000 in imports and $8,000,000 in exports over the previous year. Of her imports $921,625,825 were from the United States and $231,479,294 from Great Britain.—Substantial increases in both passenger and freight rates were made effective by the Board of Railway Commissioners on September 13.—General Lord **Byng** in June succeeded the Duke of Devonshire as Canadian **Governor-General.**—Sir Lomer Gouin, French-Canadian Premier of the province of **Quebec,** tendered his resignation in July, and L. A. Tacherean became his successor.—Elections held in **Nova Scotia** on July 27 resulted not only in the return of the Liberal government, headed by Hon. G. H. Murray, but in the overwhelming defeat of the Conservative Party, which elected but one member. The Liberals elected 29 members, Laborites 6, and the Farmers' Party 7.—Provincial elections in **British Columbia** on December 1 gave the Liberals 25, the Conservatives 16, Federated Labor Party 2, People's Party, Socialists and Independents 1 each.—Premier W. M. Martin and the Liberal government of **Saskatchewan** were reëlected on June 9.—By a popular referendum New Brunswick voted, July 10, by 41,436 to 20,769 to retain **prohibition;** sale of light beer and wines was also prohibited, 38,375 to 23,769. On October 25 the four provinces of Nova Scotia, Manitoba, Alberta and Saskatchewan voted against importation of intoxicating liquors, and the following day British Columbia, by referendum, decided by a majority of over 30,000 in favor of a system of public liquor dispensaries. Distribution of liquors in the province of Quebec was placed in the hands of a Liquor Commission. Ontario on April 18 voted by a majority of over 25,000 for "bone-dry prohibition".—**Newfoundland** experienced labor difficulties during the year.

INDIA. — The agitation of the Indian Nationalists and threats of the Bolshevists caused Great Britain considerable anxiety over India and her adjoining Asiatic possessions. Inauguration of the **new government,** in accordance with the Montagu-Chelmsford reports, met with determined opposition from Nationalists under the leadership of M. Gandhi, anti-English agitator and a disciple of Tolstoy. At the **Indian National Congress,** held September 8, Gandhi's program of **passive resistance** to the Brtish was framed to include gradual withdrawal of children from schools and colleges owned, aided or controlled by the government; gradual boycott of British courts by lawyers and litigants and the establishment of private arbitration courts by them for settlement of disputes; refusal on the part of the military, clerical and laboring classes to offer themselves as recruits for service; withdrawal of Indians from government service and positions of honor under the government; withdrawal by candidates of their candidature for elections to the Reformed Councils and refusal on the part of the electorate to vote for any candidates; and

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boycott of British goods. This plan, although it failed to meet with the success anticipated by its sponsor, intensified anti-British feeling and, aided by famine, high cost of living and continuance of the unpopular Rowlatt regulations (virtually equivalent to maintenance of martial law) has created a spirit of unrest so great as to jeopardize any hope of success by the new government. Distrust of England was further aroused by report of the Esher Committee, appointed in 1919 to inquire into the administration and organization of the **Indian army.** This committee's conclusions, apart from measures devised to grant liberal and sympathetic treatment to all ranks in the Indian army, to remove existing grievances and create new services, included the important recommendation that the ultimate authority of the Indian army be taken away from the authorities in India and transferred to the British chief of staff. The report was interpreted by the Indians as a scheme whereby the British government may use the Indian army to further its imperialistic adventures in the Near and Middle East. Despite all obstacles the **new government** was organized, appointment of governors being made in August. Sir William Meyer entered upon his duties as first High Commissioner for India on October 1; **elections** to the legislative councils had been held by January 1 and on February 8 the parliament or **Advisory Assembly** was opened at Delhi by the Duke of Connaught. Lord **Chelmsford** as Viceroy was **recalled** on September 15 and his **successor,** Lord **Reading,** former Chief Justice of Great Britain, arrived at Bombay on April 2. In opening his administration the new Viceroy expressed a desire to get close to the heart of India and as a step in this direction held his first conference with Gandhi on May 13.

OTHER BRITISH POSSESSIONS.—The **Milner Mission,** sent to investigate the cause of unrest in **Egypt** (*cf.* last RECORD, p. 104), presented a unanimous report to the British government on December 9. Its principal recommendations were: recognition by Great Britain of Egyptian independence, acknowledgment by Egypt of Great Britain's privileged position in the Nile valley, free access by Great Britain to Egyptian territory in case of war, maintenance of a British garrison in the sphere of the Suez canal, control by Egypt of her foreign relations subject, however, to her not making treaties at variance with British policy, Egypt to have her own diplomatic representatives abroad, abolition of the capitulations and the veto on legislation affecting foreigners to be vested in High Commissioners, closing of the consular courts and transfer of their jurisdiction to mixed tribunals, abolition of the system of advisers in the different Egyptian ministries, appointment of a British official to carry out operations of the Public Debt Commission and one to look after legislation affecting foreigners, and, finally, rights of British officials in Egyptian service to be safeguarded and compensation provided. The foregoing

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proposals, which in general were acceptable to the Egyptian Nationalists, met with the opposition of foreigners who, as wealthy middlemen, had exploited the trade of Egypt without being subject to taxation. Likewise many prominent Englishmen, notably Winston Spencer Churchill, who succeeded Lord Milner as Colonial Secretary, were not in sympathy with any suggestion for Egyptian independence. Pending the result, Nationalist riots and demonstrations again became prevalent. — Business depression and strikes seriously disturbed **Australia** during the year. To supplement the Arbitration Court, which had been seriously hampered by congestion, an Industrial Peace Act was passed providing for the establishment of central and district councils composed of an equal number of employers and employees. These councils were to have advisory jurisdiction only.— The government of **New Zealand** decreed that no motion-picture film depicting thievery, robbery, murder or suicide may be shown after May 1. During the year under review there was a rapid increase in the formation of agricultural coöperative societies.—Prince Arthur of Connaught, the new Governor-General of **South Africa,** assumed office in October. As a result of one of the most important elections ever held, the South African party under General Smuts on February 8 won a sweeping victory over the Nationalists headed by General Herzog. The issue was definite: General Smuts's party stood for union with the Empire, the Nationalists favored secession. The returns gave the South African party 76; Nationalists 41; Laborites 9; Independents 1. The Cape Federation of Labor unions voted to affiliate with the Third International.

VIII. CONTINENTAL EUROPE

FRANCE. — During the year questions relating to the Versailles Treaty, especially German reparations and disarmament, economic and social problems and matters of foreign policy, have occupied the foreground in French politics. As a result of the Spa Conference (*cf. supra*, p. 1) Premier Millerand was able to report that France was assured eighty per cent of her necessary coal supply at one-fifth less cost. The Spa arrangement did not meet with entire approval, but the Chamber expressed confidence by a vote of 356 to 169.—The **resignation of M. Deschanel** as President of the Republic, September 15, on the plea of ill-health, caused intense political excitement. Election of his successor occurred on September 23 when M. Millerand, the Premier, was chosen by a vote of 695 out of a total of 892, the Socialists refusing to vote. On September 24 Georges **Leygues,** Minister of Marine under Clemenceau, was chosen **premier** and minister of foreign affairs, and the following day received the support of the Chamber, 507 to 80.—At an extraordinary session of the parliament which assembled on November 8, primarily to consider the 1921 budget,

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other important matters were discussed, notably **foreign policy** relative to Great Britain, the Vatican and Syria. The rift in Anglo-**French relations** (*cf. supra*, p. 5), the result in part of Great Britain's unexpected renunciation of her treaty rights to confiscate German property, was smoothed over. France realized that by continuing her policy of vigorous support to Poland and uncompromising hostility toward Soviet Russia she had contributed her part in weakening the diplomatic bonds with Britain. After the Chamber had heard the report of General Gouraud, high commissioner for Syria, Premier Leygues emphatically declared that France should retain her grip on this important region; withdrawal, he argued, would imperil France in the East, in the Mediterranean and in northern Africa, but he intimated that Cilicia would be evacuated. **Resumption of diplomatic relations with the Vatican** was favored by the Chamber, 397 to 209. The anti-clericals professed to see in this step a recrudescence of papal interference in French affairs, domestic and foreign. Before adjournment parliament passed the **army-reorganization** bill which, among other things, provided for the reduction of the period of military service from three years to eighteen months. As a result, M. Lefèvre, Minister of War, resigned, the Chamber supporting the government 489 to 69; M. Raiberti succeeded to the war portfolio.—The triennial **senatorial elections,** held January 9, resulted in the selection of 3 Conservatives, 39 Republicans, 43 Radicals and Radical Socialists, and 11 Republican Socialists, a gain of 3 seats by the group of the Left. Ex-President Deschanel was among those elected; the Minister of Agriculture, M. Ricard, suffered defeat.—When Parliament reopened on January 11 the gathering storm of opposition to the Leygues government broke forth. Not only the Premier's domestic policy, relative to Bolshevist propaganda and monarchist plots, but his German policy also was attacked by the **Nationalists** headed by former President Poincaré. They condemned especially the slight progress which the government had made in securing German disarmament and its spirit of conciliation toward Germany in the matter of reparation payments. The government was further embarrassed at this time by the general spirit of impatience which prevailed as a result of industrial depression, unemployment, the increasing cost of food and burdensome taxes. On January 12, when the Premier sought to postpone interpellation, the Chamber indicated its lack of confidence by a vote of 463 to 125. The formation of a **new government** was entrusted to M. Péret, president of the Chamber, in the hope that he might induce M. Poincaré to become minister of finance and M. Briand minister of foreign affairs. After the former had indicated his unwillingness to accept office unless the portfolio of foreign affairs was tendered either to himself or to M. Viviani, M. Péret renounced the task. President Millerand, it was asserted, desired to

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avoid international complications that might arise from appointment of M. Poincaré and called upon **Aristide Briand** to select a **cabinet.** His selection, embracing two senators and thirteen deputies, was as follows: Premier and Minister of Foreign Affairs, M. Briand; Justice, M. Bonnevay; Interior, M. Marrand; Finance, M. Doumer; War, M. Barthou; Navy, M. Guist'hau; Education and Fine Arts, M. Bérard; Public Works, M. Le Trocquer; Commerce, M. Dior; Agriculture, M. du Prey; Colonial Minister, M. Sarraut; Labor, M. Daniel-Vincent; Liberated Districts, M. Loucheur; Hygiene, M. Leredu; Pensions, M. Maginot. The program of the new premier included reduction of expenditures and the reorganization of the financial administration, measures to remedy unemployment and industrial depression, reduction of military forces without weakening the military prowess of France, the conclusion of a new treaty with Turkey, the non-recognition of Soviet Russia, a close bond of friendship with Great Britain, and a firm hand in dealing with Germany. The Chamber, by 475 votes to 68, responded to the Premier's appeal for confidence. As a result of protracted negotiations with Germany (*cf. supra*, p. 9) the government was repeatedly attacked by M. Poincaré and his principal supporter, André Tardieu. President Millerand and M. Briand sought to maintain the Entente with England, while the Poincaré faction would cut loose from Great Britain and resort to military force in shaping French foreign policy. On March 17, following a three-day debate on the subject of German reparations, the Chamber expressed confidence in the government, 491 to 66.—Radicals and radical labor organizations were drastically opposed by official France throughout the year. The two British Council of Labor delegates, Mr. Adamson and Mr. Gosling, sent to confer with French labor, were expelled by the government. On October 2 the **Confederation of Labor (C. G. T.),** by 1478 votes to 602, declared against joining the Third International; it expressed sympathy for Soviet Russia and denounced the French government as the servile instrument of world reaction. On January 13 the dissolution of the Confederation was ordered on the ground that it was guilty of subversive conduct in causing the railroad strike of May, 1920 with the ulterior motive of sovietizing France. The sole object of the unions, according to the Trade Union Act of 1884, it was held, was the study and defense of their interests, economic, industrial, commercial and agricultural. It was maintained that for some time the Confederation had preached social revolution, incited mutiny in the navy and, by street demonstrations and strikes, attempted to influence the foreign policy of the state. The decision of the court, against which a vigorous protest was made, was ignored by the Confederation.—On December 30 the French **Socialists** at their **Congress at Tours** voted by 3208 to 1220 to adhere to the Third International. The minority favored remaining

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loyal to the Jaurès tradition and, January 7, met to reconstruct the United Socialist party. — By a July enactment **compulsory physical education** for children of both sexes was instituted: for boys, from 6 to 16, when they must begin their compulsory military preparation, and for girls, during the period of primary and secondary education. —The national **debt**, which on August 1, 1914, was 27 billion francs, amounted on March 1, 1921, to 302 billion francs. The ordinary **budget** for 1921 provided for a revenue of 22,609,492,095 francs. In addition, an extraordinary budget of 750,000,000 francs was voted for the administration of Alsace-Lorraine. To add to the financial anxieties of the government, the Algerian budget showed a deficit for the first time in a number of years. A national 6 per cent loan of four billion francs, launched on October 20, was oversubscribed.—From the standpoint of agriculture, reconstruction of the devastated area proceeded rapidly; the slow progress toward industrial reconstruction caused considerable complaint.—(*Cf.* International Relations, *supra.*)

ITALY. — Questions of foreign policy, a crushing national debt, burdensome taxes and social-economic revolution were the outstanding problems with which the Italian kingdom wrestled during the past year. The **program of the Giolitti coalition government** (*cf.* last RECORD, pp. 112-13) included modification of Article 5 of the constitution so as to make declaration of war and the conclusion of treaties dependent upon the sanction of parliament, the compulsory cultivation of cereals on waste or badly farmed lands, measures against profiteering and surrender to the state of excess profits, inquiry into war expenditures including revision of existing contracts relating thereto, an increase in death duties, imposition of a tax on all financial securities and bonds, adjustment of the Fiume dispute, and an independent Albania with Italian retention of Avlona. On July 9 the Chamber expressed confidence, 411 to 265.—Subsequently a **protocol** was signed **with Albania** whereby Italy agreed to recognize "complete Albanian independence" and to surrender Avlona. Italy was to retain and fortify the island of Saseno at the entrance to the bay of Avlona and also Punta Linguetta on the mainland. Military and commercial understandings were provided for. Italian troops were to be withdrawn from Avlona and other Albanian ports as soon as public order permitted. —In August Minister of Finance **Tedesco** resigned for reasons of health; he was succeeded by Luigi Facià.—Late in August the long period of social and **industrial unrest** culminated in a serious upheaval and far-reaching modification of the existing economic régime. Anticipating a lockout, the metallurgical workers took possession of their plants, organized workingmen's councils and, so far as possible, continued operations. On September 11 workmen took over 200 chemical plants and several textile mills. The government, to which the factory workers appealed for protection of their

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property rights, for the time being remained neutral, declaring the movement to be merely a new form of struggle between capital and labor and one not warranting government interference so long as property was not damaged or lives sacrificed. On September 12 a **National Labor Convention** representing about 1,200,000 members of various unions, guilds, chambers and syndicates affiliated with the Italian General Confederation of Labor, went on record by a vote of 650,000 to 450,000 as favoring the organization of Italian industry on a Soviet basis. On the following day, however, representatives of labor opposed to sovietization together with representatives of the official Socialist party voted 591,000 to 245 in favor of syndicalization. At this point, when it was obvious that the parties to the controversy could not come together, the government intervened. On September 14 Premier Giolitti summoned employers and employees for a conference at Turin. Negotiations begun there were continued at Rome and as a result a **plan of settlement** proposed by the Premier was accepted; by it employers agreed to let employees participate but not dominate in plant management, the amount of control to be determined by a mixed commission. A wage increase of 15 per cent retroactive to July 15, except during the period when the factories were commandeered by the workers, was likewise agreed to and the seized factories were to be returned to their owners. Under threat of compulsion from the Premier the employers finally consented to rehire unconditionally all their former employees however guilty of acts of violence. This arrangement was ratified by the Confederation of Employers meeting at Milan and by the metal workers on September 26 by a referendum of 132,000 to 45,000. In the hope of a permanent settlement the government produced a bill providing for **industrial councils** or commissions of nine members for each of the important industries of the country except those under government ownership. These commissions were to be elected on a proportional basis by adult workers of each industry, six members representing workers and three the technical and higher employees. Two or more delegates were to be chosen by the commission in each factory where at least 60 workmen were employed and which had been in operation for at least four years, to make reports and furnish data to the commission. Employers were to have a commission of nine to keep in touch with and negotiate with the workmen's commission. The workingmen's share in management would consist largely in rights of access to and explanation of data bearing on methods of purchasing, fixation of prices, regulation of methods of employment and discharge, reduction in the number of employees or in hours of labor. The measure also provided for labor bureaus and for arbitration in case of industrial disputes. This bill was bitterly assailed by Nitti and others and failed of passage. — Attempts of the Italian Extremists and Rus-

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sian Bolshevists to dominate the Socialist party and, through it, the revolution were largely abortive. After the **Socialist Congresses** of Reggio Emilia and Florence, where an attempt was made to register the party as wholeheartedly in support of the Third International, a definite split occurred at the National Convention at Leghorn on January 21. By a vote of 112,241 to 58,900 the delegates, while voting for unity, declined to accept unconditionally the tenets of the Third International, whereupon the Communists announced their secession from the party. Continued social unrest and agitation by the Communists and Fascisti accounted for the many disturbances and acts of violence committed during the fall and winter. The **Fascisti,** composed for the most part of young men of the middle class, college students and ex-service men, were militant Nationalists; against not only the Communists but even against the Moderate Socialists they waged an incessant campaign of opposition and violence, especially in the industrial centers. — In Sicily and southern Italy the **peasants,** imitating the industrial north, seized the large estates and pressed for agrarian reform; in this demand they were supported by the left wing of the Catholic Party.—The government announced on November 5 that Senator Vittorio Rolandi Ricci would succeed Baron Camillo Avezzana as Italian Ambassador to Washington.—By the Treaty of Rapallo (*cf. supra*, p. 6), promulgated by royal decree on November 15, the Northern Adriatic problem was settled, at least for the time being. Gabriele **d'Annunzio,** the self-styled "Rector of the Regency of the Quarnero", who on September 20 had declared **Fiume** to be an independent state, vehemently denounced the treaty. When it became evident that Italy intended to enforce the terms of the Rapallo agreement, d'Annunzio on December 3 condemned the government as traitorous and declared war on Italy. After considerable parley with the obdurate poet, Fiume was bombarded on December 27 by Italian regulars under the command of General Caviglia. D'Annunzio, after expressing his disappointment that the people of Italy had not rallied to his standard, departed, January 18, for Paris. Elections to a Constituent Assembly in Fiume, held April 24, resulted in the defeat of the Nationalists. The election returns were immediately destroyed by the militia at the instigation of the Fascisti, who subsequently executed a *coup d'état* and proclaimed a provisional government in the form of a Directory.—On December 19 Signor Meda, Minister of Finance, stated that the **budget deficit** for 1921-1922 would be 10,000,000,000 lire as compared with a deficit of 14,000,000,000 lire for 1920-1921. The resignation of Signor Meda was announced on April 3; he was succeeded by Signor Bonomi, Minister of War, Signor Rodino being named to the latter portfolio.—Following the dissolution of the Chamber on April 6, **general elections** were held, May 16. By the addition of new provinces the number of deputies was increased from

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508 to 535. According to the returns, the Constitutional Coalition (Liberals, Liberal Democrats, Progressives) obtained 265 seats; Socialists (all factions) 134; Popularists (Catholics) 101; Republicans 10; Nitti Liberals 15; Slavs 6; Germans 4. — Believing that it no longer enjoyed the Chamber's confidence, the **Giolitti ministry resigned** office on June 27.

GERMANY. — The principal events of the year to a large degree revolved around economic problems. By the selection of Dr. Heinrich Brauns (Centrist) as Minister of Labor, the **Fehrenbach cabinet** (*cf.* last RECORD, p. 120) was completed, July 1. In outlining his program before the first Reichstag of the Republic, the Chancellor stated that Germany was doing her best to live up to the Versailles Treaty and would continue so to do. He pleaded for the coöperation of all classes and promised to carry out the many social and industrial reforms made possible by the constitution. A motion sponsored by the Independent Socialists, July 3, expressing lack of confidence was rejected 313 to 64.—Dr. Simons, Minister of Foreign Affairs, in reporting the result of the Spa Conference (*cf. supra*, p. 1), declared, July 28, that Germany might as well make up its mind to accept the consequences of the war and do its utmost to live up to its obligations. The Spa agreement was thereupon approved by a large majority of the Reichstag, the only opposition coming from the reactionary Right and the Independent Socialists.—As a step toward disarmament, the Reichstag, July 31, **abolished compulsory military service.** It was officially reported on December 26 that the army had been reduced to 100,000 officers and men as required under the Spa arrangement. **Disarmament** of the civilian population, the subject of considerable correspondence with the Allied Powers, proceeded under the direction of Dr. Peters, National Commissioner for Disarmament. The period for voluntary surrender of arms having expired, a house-to-house search was instituted on December 17. Such strong resistance against disarmament was encountered in Bavaria and East Prussia that it became necessary in March to enact additional federal legislation to compel obedience. The metal of the surrendered arms was used in the manufacture of agricultural implements.—Clashes on the **Prussian-Polish frontier** were frequent throughout the year. German requests for permission to send additional troops to the frontier were consistently refused by the Entente. The Foreign Minister declared, August 5, that the nation would resist by force, if necessary, any Allied violation of German neutrality in sending troops or munitions across her territory to assist Poland, and in this he was supported by the parties of the Left. — Nationalization of mines, long urged by the miners, was advocated by a special government commission in a report submitted September 3; but this action was opposed by Hugo Stinnes and other industrialists.—Intense interest was manifested in

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the proceedings of the **Independent Socialist Convention** held at Halle, where, October 16, the party representatives by a vote of 237 to 156 decided to affiliate with the Third International. The minority under the leadership of George Ledebour, Crespien and Dittmann immediately left the assembly and held a rump convention. The government the next day ordered the expulsion of George Zinoviev, chairman of the executive committee of the Third International, and M. Losovsky, a Russian trade-union leader, both of whom had pleaded for affiliation with Moscow. The secession of the moderates led to a party split, the left wing fusing with the Communists; the right wing appears to have succeeded in retaining the party name and control of most of the party newspapers. The Majority Socialists made many overtures to the moderates for amalgamation but thus far without success.—Unemployment, dissatisfaction with wage scales, food shortage and extremist agitation were responsible for intermittent strike epidemics during the past year. One of the most annoying of the **labor disturbances** occurred on November 6 when the electricians of Berlin quit work, tying up power plants and crippling lighting and street-car service. The difficulty ended on November 10 when President Ebert issued an ordinance by which strikes in gas, water and electric works were to be permitted only after the conciliation commission had rendered a decision thereon.—Approval of the efforts of Dr. Simons, Minister of **Foreign Affairs,** at the London Conference (*cf. supra*, p. 9) was registered on March 12 by passage of a Reichstag resolution, 268 to 49, the Communists and some of the Independent Socialists voicing dissent. Dr. Simons in expressing the opinion that the penalties imposed upon Germany by the Allies were illegal, declared he was satisfied that their demands were not inspired "merely by the intoxication of victory or lust for power", but on the contrary they were the "result of extraordinarily heavy troubles and distress in their own countries". Official resentment over the result of the London Conference and Allied military occupation of the Ruhr district (*cf. supra*, p. 10) was indicated, March 8, by the recall of the German ambassadors from London, Paris and Brussels.—A formidable **revolutionary movement,** launched by Communist leaders in the industrial districts of Central Germany in March, resulted in considerable loss of life. Following the arrest, March 13, of a number of Communists charged with complicity in widespread plots to destroy public property, a general strike was called in the Halle region. Sympathetic movements occurred in Essen and Hamburg and outbreaks and scattering bomb attacks upon public buildings were reported from Leipzig, Freiburg, Plauen, Rodewisch, Dresden and other centers. In many instances property was seized and the red flag displayed. President Ebert's proclamation of a state of modified siege and the denunciation of the uprising by the General Trade Union

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League morally weakened the revolutionists. Within two weeks the military police had restored order, much to the chagrin of the Extremists of both the Right and Left, and the ranks of the Communist party appear to have been disrupted.—Dr. Wirth, Minister of Finance, in July placed the German debt, apart from reparations and indemnities, at 265,000,000,000 marks. The ordinary budget for 1921 called for 49,945,202,051 marks, an increase of about two billion marks over the previous year. The extraordinary budget carried 43,667,104,308 marks for expenditure as against 10,556,468,118 marks for revenue; over 33 billion marks must, therefore, be raised by loan. Although the government seemed to be poverty-stricken, private **industry** appeared prosperous. Under the leadership of Hugo Stinnes there was rapid development in industrial combination and, to a considerable extent, an elimination of the middleman. According to January reports, new capital invested during 1920 totaled 14 billion marks. German trade with the United States for the same year was valued at $400,300,000 as against $103,000,000 for 1919. Similar increases were reported with other countries. The government voted 12 billion marks to indemnify German shipping companies for war losses and in return the companies pledged themselves to build at least one-third of Germany's pre-war tonnage within the next ten years.—A general amnesty was granted, August 2, to all persons connected with the Kapp revolt with the exception of the principal leaders.—The **Fehrenbach ministry,** often spoken of as the "cabinet of big business", **resigned** on May 4, just previous to the presentation of the Allied ultimatum (*cf. supra*, p. 11). It was succeeded on May 10 by a coalition government drawn from the ranks of the Majority Socialist, Centrist and Democratic parties. The **new cabinet** organized by Dr. Julius **Wirth** (Centrist) as Chancellor and Minister of Foreign Affairs comprised the following members: Finance Minister and Vice-Chancellor, Gustav Bauer (Majority Socialist); Economics, Dr. Heinrich Brauns (Centrist); Justice, Herr Schiffer (Democrat); Labor, Robert Schmidt (Majority Socialist); Transportation, General Groener (Democrat); Posts and Telegraphs, Johann Giesberts (Centrist); Agriculture and Foodstuffs, Andreas Hermes (Centrist); Interior, George Gradnauer (Majority Socialist); Defense, Dr. Gessler (Democrat); Reconstruction, Herr Silberschmidt (Majority Socialist). Herr Bauer was a former Chancellor; Dr. Gessler, Herr Hermes, Herr Giesberts and General Groener held the same portfolios in the Fehrenbach cabinet, and Dr. Brauns was Minister of Labor in that body. Immediately after the new cabinet had been announced, the Reichstag voted, 221 to 175, to accept the Allied terms.—Violent manifestations of **anti-Semitism** were frequent, especially in Munich and Berlin.—The **death of von Bethmann Hollweg,** former Chancellor, occurred January 1.—Unusual interest was taken in **state and muni-**

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cipal elections. As a result of elections for the **Saxon Diet,** held November 14, the Majority Socialists won 27 seats, a loss of 15; Independent Socialists, 16, a gain of 1; Communists, 6; German Nationalists, 20, a gain of 7; People's Party, 18, a gain of 14; Democrats, 8, a loss of 14; Centrists, 1. The **Prussian Landtag elections** held February 20 resulted in a victory for the government coalition, which secured 232 seats as follows: Majority Socialists, 114; Centrists, 92; Democrats, 26. The opposition parties elected 196 members; German National Party, 75; German People's Party, 56; Independent Socialists, 29; Communists, 30; Middle Class (Economic Party), 4. On January 20 Dr. Gustave Boess was elected Head Mayor of Berlin, succeeding Adolf Wermuth.

AUSTRIA.—Starvation, disease, unemployment, industrial disability, lawlessness and national bankruptcy were the problems which gripped Republican Austria during the past year. — After protracted negotiations a **new cabinet** was formed on July 4 by agreement of the leaders of the three major parties, Social Democrats, Christian Socialists Union and the Pan-Germanists (Great German Union). Led by Dr. Mayr (Christian Socialist), the ministry was composed as follows: Interior, Kreisky (Christian Socialist); Commerce, Heinl (Christian Socialist); Agriculture, Hausis (Christian Socialist); Religion, Miklas (Christian Socialist); Foreign Affairs, Renner (Social Democrat); National Defense, Deutsch (Social Democrat); Social Affairs, Hanusch (Social Democrat); Education, Glockel (Social Democrat); Chairman of Committee for Socialization, Ellenbogen (Social Democrat); Justice, Roller (Pan-Germanist); Finance, Reisch (Pan-Germanist); Food, Lowenfeld-Russ (Pan-Germanist). In the formation of this coalition cabinet rather novel departures in parliamentary government were introduced. In the first place, the ministers, instead of being named by the president, were elected by their respective parties on the basis of proportional representation; secondly, it was arranged that each minister should retain his portfolio as long as his party expressed confidence in him even though the other parties failed to support him. Dr. Mayr freely admitted that the government had no program but would confine itself to the maintenance of law and order.—On October 1 the **National Constituent Assembly** completed its labors and its career when it passed the constitution by which Austria was transformed from a unitary state into a Federal Republic of eight states. According to the **basic law** the federal legislature consists of two chambers, the National Council (Diet) elected by universal suffrage on the basis of proportional representation, and the Federal Council chosen by the Landtags of the states. The Federal Council has a strictly limited veto power over measures enacted by the popular chamber. The two houses together constitute the Federal Assembly, whose sole functions are to declare war

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and elect the Federal President. The cabinet is selected by the National Council to which it is responsible. The 46 delegates of the Federal Council are apportioned as follows: Lower Austria, 22 (city of Vienna 12, province 10); Upper Austria and Styria, 6 each; Carinthia, Salzburg, Tyrol and Vorarlberg, 3 each. Burgenland (the West Hungarian territory awarded to Austria by peace treaties) for the time being is unrepresented in the Upper Chamber. By **elections** held October 17, the 175 seats of the National Council were distributed as follows: Christian Socialists, 82; Social Democrats, 66; Pan-Germanists, 20; Peasants' League, 6; Bourgeois Party of Work, 1. The Communist party polled 20,000 votes but failed to obtain a single seat. The most important issue of the campaign was the question of union with Germany, which was vigorously opposed by the Christian Socialists. Dr. Richard Weisskerchner (Christian Socialist), for many years mayor of Vienna, was chosen president of the Council on November 10. In the meantime, October 22, the coalition cabinet was disrupted by the resignation of the Social Democratic members, who refused longer to collaborate with the Christian Socialists. The latter, after considerable parley, having effected an arrangement with the Pan-Germanists, with whom they fundamentally differed on matters of foreign policy, succeeded in forming a government including six non-political experts. In this **cabinet** Dr. Mayr became Chancellor and Foreign Minister; Dr. Egon Glanz (expert) assumed the portfolio of the Interior; Dr. Mueller, War; Walter Breisky (expert), Education; Dr. Ferdinand Grimm (expert), Finance; Dr. Alfred Grünberger (expert), Food Supply; Dr. Rudolf Paltauf (expert), Justice; Edward Heinl, Commerce; Alois Haneis, Agriculture; Dr. Joseph Resch, Public Welfare. The official program of the new government, as announced by Dr. Mayr, was purely economic. Its chief aims were to provide an adequate food supply and to revive industry.—At a meeting of the Federal Assembly, December 9, Dr. Michael **Hainisch** (non-party) was **elected President** of the Republic on the fifth ballot by a vote of 129 to 85 over Dr. Seitz, the Social Democratic candidate. —**Hungarian hostility** toward Austria was evident throughout the year. In the autumn an economic boycott seriously interfered with Austria's coal supply. Border military raids, especially the August raid on Fürstenfeld, particularly alarmed the Austrians, despite the Hungarian government's denial of complicity. Relations were further strained by the Hungarian attitude regarding West Hungary (Burgenland). Ex-Emperor **Charles's attempted coup d'état** and journey through Austrian territory, aside from causing a considerable flutter, resulted in the resignation of Dr. Glanz, Minister of Interior, and Dr. Mueller, Minister of Defense.—The **Austrian budget** for 1920-21 called for the enormous expenditure of 33,194 million crowns as compared with 16,873 million for 1919-20. The deficit totaled 12,539 million

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crowns, an increase of 1,960 million over the previous year. In addition, a supplementary budget showed a deficit of 40 billion crowns.—After an heroic attempt to avoid financial chaos, the government on January 11 informed the Entente Powers that it had reached the end of its resources and was ready to retire on January 15 and hand the administration of the country over to the Reparations Commission. The latter being apparently in no haste to assume such responsibility, the Supreme Council invited Austria to send representatives to discuss the question of financial relief. At this conference, held March 12, the Allies expressed good will but failed to grant the long-hoped-for aid. Late in May the government resigned office; it was succeeded on June 21 by a **cabinet formed by Johann Schober.**—Continued **agitation for union with Germany** was a source of much anxiety to the Allies, and particularly to France. On April 14 the Entente, under threat of withdrawing its proposals for financial relief, requested the Austrian government to suppress such agitation.—**Anti-Semitic demonstrations** were frequent during the year.—On December 15 Austria was unanimously admitted to membership in the League of Nations.

HUNGARY.—The chaotic conditions which had characterized the political life of Hungary since the Great War continued during the past year. With its economic fabric tangled and disorganized, its government bankrupt in all but name, with a currency so depreciated as to be almost worthless, and with its population disunited by religious feuds and class struggles, its leaders contented themselves with fruitless discussion and sterile bickerings regarding the form of the future government of the nation. Reactionary terrorism which swept over Hungary during the last year led to a stringent economic boycott of the country by international labor and, finally, to a government crisis (*cf.* last RECORD, p. 133). After a futile endeavor to maintain itself the Simonyi-Semadam cabinet was forced to withdraw. On July 20 Count Paul **Teleki** was appointed **premier** and succeeded in forming a government indorsed by both the Small Landholders' Party and the Christian Nationalists. Instead of curbing the White Terror, the most insistent problem facing the nation, the new administration, narrow, racial and anti-Semitic, apparently sanctioned the reactionary activities. Indeed the Premier together with Count Apponyi, with the alleged approval of France, even countenanced a larger military establishment with the pretext of using it against Bolshevistic Russia.—On November 13 the **Treaty of Trianon was ratified** by the National Assembly. The Christian Nationalists, under the leadership of ex-Premier Freedrich, together with the Dissidents, refused to recognize the ratification and left the Chamber, declaring the Assembly did not represent the nation. The ratification was made the occasion for bitter attacks upon the government by anti-Semitic extremists and ardent Monarchists. **Pogroms,** actively supported by

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military officers, threw Budapest into a state of panic; hundreds of persons were cruelly treated or murdered. After some delay the government by raiding the strongholds of the terrorists and placing the leaders under arrest succeeded in restoring order. This had scarcely been accomplished when on December 3 the Teleki **cabinet,** after an angry debate on the question of continuance of a republic or the restoration of ex-King Charles, resigned office. In less than a week Count Teleki was recalled and succeeded in reconstructing his former ministry.—On December 28 the Special Court of Law appointed by the Horthy régime announced its decision to try the ten commissaries of the Bela-Kun government.—The bold **attempt of the ex-King Charles to regain the Hungarian throne** ended in a fiasco. Aided and abetted by the landed aristocracy and by the higher clergy, Charles entered Hungary on March 26. Regent Horthy refused to surrender supreme power unless directed so to do by the National Assembly; on April 2 the Assembly adopted a resolution refusing restoration, expressing the opinion that Charles's return to Hungary constituted a national danger, and advising his immediate departure. The attempted *coup d'état* brought vigorous protests from the Allies and from the Little Entente (Czechoslovakia, Rumania and Jugoslavia). Unfortunately for the Teleki government, the premier published a manifesto issued by the ex-King in which he explained that he had returned under the firm conviction that only the restoration of its crowned and lawful king could bring peace to a distracted people. The Small Landholders' Party took violent exception to the publication of this manifesto, in the introduction of which the premier referred to "His Majesty, King Karl IV", and on April 10 forced the government to retire. Four days later a **new cabinet,** headed by Count Stephen Bethlen, was formed with six members of the former ministry retaining portfolios. In announcing his program Premier Bethlen declared that although the government espoused Christian ideals and favored national and agrarian interests, it strongly condemned anti-Semitism. In his plea for coöperation among all classes, especially between the farmers and the intellectuals, he pledged the new government to the maintenance of law and order; he promised democratic legislation and the speedy restoration of freedom of press and assembly. He asserted that he would use his influence to restore the Upper Chamber of Parliament, to modernize the state administration, and to secure electoral reform. His government has, thus far, had a stormy career.—A **new party** known as the Party of Independence, organized by the Calvinist Bishop Balthazar of Debreczen and recruited largely from Hungarian Protestants, issued a statement of principles including cessation of persecution of liberals and Jews, disbandment of the terrorist army, renunciation of all monarchistic plans and a democratic reorganization of the state.—Coupled with the

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violent anti-Semitic demonstrations of the year was the **program of anti-Jewish legislation,** the proposal for which was adopted by the National Assembly with only nine dissenting votes. This prohibited Jews to own or lease landed property or to own more than one house; all foreign Jews were debarred from entering the country and those who had entered since 1914 were to be expelled. Jews were forbidden to hold positions in any school or university, or to act as managers of any theatrical enterprise, editors or managers of newspapers, or to hold any office, civil or military, and, further, they were not allowed to hold a government contract or to have Gentile servants. The enrolment of Jews in Hungarian universities was legally limited to five per cent, but professorial committees on credentials made it impossible for any Jewish student to gain admission. Professors of Jewish ancestry were either retired or dismissed.—At the end of June the **financial situation** showed some improvement; the budget for 1920-1921 had a deficit of over 10 billion crowns.

POLAND.—Throughout the greater part of the year Poland, ablaze with nationalistic and imperialistic ambitions and inspired and aided by France, was engaged in war or serious disputes with her neighbors, Russia, Lithuania and Germany. The **Russian counter-offensive** launched in June, 1920, (*cf.* last RECORD, p. 128) continued during July. By August 1 the Poles, notwithstanding Allied aid and encouragement in the form of arms, munitions, generals, military advisers and special ambassadorial missions, had retreated to the gates of Warsaw. It was not until the middle of August, following Allied pressure on Moscow to make peace, that the Poles began to recover from their fright. In the meantime, in an effort to secure peace, Great Britain on July 11 proposed that Moscow make an immediate armistice with Poland through the agency of the Allies. This plan was rejected July 20, the Soviet authorities declaring that they would treat only with Poland, whereupon the latter opened **negotiations with Russia.** After a long delay during which further exchange of notes took place between Moscow on the one hand and Poland and the Allies on the other, both belligerents agreed to meet at Minsk on August 11 and there conclude an armistice. The deliberations of the Minsk conference were just beginning when the Polish armies, augmented by Allied officers and under French command (Weygand), turned the tide of battle, the Soviet offensive rapidly becoming a forced retreat; by August 20 the Poles had entered Brest-Litovsk and before the end of the month had pushed the Soviet armies beyond the Allied eastern boundary of Poland. The opinion was expressed that the Red offensive simply counterbalanced the Polish invasion of the previous year. Great Britain and America took this opportunity to warn the Poles not to transgress again their ethnographic frontiers, but the Polish government, when requested by Washington to state officially that it

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would not engage in territorial aggression at the expense of Russia, failed to give a direct answer. Its reply, made public September 2, asserted that it "could hardly be considered fair that artificial boundaries that did not bind our opponent should interfere with the military operations of Poland". Marshal Pilsudski declared that to halt at the ethnic boundary laid down by the Entente "would be to affirm by deed that this illusionary eastern frontier corresponds to our aspirations". During September the Poles continued their eastern drive and by the end of the month held a line running, roughly, from the Dniester north to Rovno, thence to a point about forty-five miles west of Minsk to Drissa. Meanwhile the Poles, flushed with success, had broken off peace negotiations at Minsk, declaring that they desired peace but insisting that further peace parleys be held at Riga. The Russians agreed to this and the first session of the peace delegations was held on September 21. According to the terms of the **armistice,** signed October 12, Poland's eastern boundary was drawn to extend from a point west of Drissa on the river Dvina southward to a point about ten miles east of Pinsk; thence to the west of Rovno, to the east of Ostrog and thence south to a point on the Rumanian frontier about twenty-five miles east of the point fixed by the Allies. Each state pledged itself not to give support to foreign military activities against the other and not to intervene in any way in the internal affairs of the other. By this provision Russia sought to safeguard herself against a possible Polish-French-Wrangel alliance. Following the armistice the United States officially stated that it would refuse to sanction any territorial aggrandizement of Poland at Russia's expense, and that it considered the terms of the armistice to be in violation of the ethnographic principle laid down in the Treaty of Versailles. In spite of all protests and warnings the terms of the armistice were confirmed in a **treaty of peace** signed at Riga on March 18. By it Russia lost 87,000 square miles of territory with a population of 7,000,000 of which only six per cent was Polish.—The termination of the Russian struggle found Poland in dire straits; hunger, sickness, unemployment, strikes, industrial depression, financial stringency and social demoralization were everywhere prevalent.—Between **Poland and Germany** strained relations, due largely to the disposition of Upper Silesia (*cf. supra*, p. 11), prevailed throughout the year.—Few government changes were made during the period under review. On July 24 a new **coalition cabinet** was formed with M. Witos, the peasant leader, as Premier; M. Skulski, Minister of Interior; M. Grabski, Minister of Finance; and Prince Sapieha, Minister of Foreign Affairs. Late in November M. Grabski resigned his portfolio, M. Steczkowski succeeding him. Late in May a ministerial crisis was precipitated by the resignation of Prince Sapieha, who quit his office as a protest against the Polish insurrection in Upper Silesia (*cf. supra*, p.

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12). — The **new constitution** was finally adopted on March 17. The result of compromises of many widely different parties and opinions, it combined the essential features of the French and American systems. It provided for a parliament of two houses elected by popular vote of both men and women over 21 years of age. Executive power is vested in a president and a cabinet; the former is chosen for a term of seven years by a national assembly composed of members of the house (Sejm) and the senate; the powers and duties entrusted to him are similar to those of the President of the United States. In time of war, however, his responsibility as commander-in-chief of all military forces shifts to the minister of war, who is empowered to appoint the commander of the army. Amnesty may be granted only by statute. Ministers, while appointed by the president, are individually and collectively responsible to parliament. The judiciary is modeled after that of the United States. A bill of rights includes the usual guarantees in regard to life, liberty and property. Religious toleration is accorded but Catholicism continues to be the leading faith of the country, and relations between the Church and the State are to be legally defined by an agreement with the Vatican subject to ratification by the parliament. Free compulsory education, including religious instruction, in district and municipal schools, is arranged for. Every citizen is to enjoy the right to use his own language and minority nationalities are to be safeguarded by special legislation. Labor, "the main basis of the wealth of the Republic", is to remain under the special protection of the State. In case of unemployment, illness, accident or disability the State will provide social insurance to be determined by special statute.

CZECHOSLOVAKIA. — Like the rest of Europe, Czechoslovakia is still burdened with the heritage of the Great War. In comparison with her neighbors, however, she has suffered less acutely during the past year. The program of the **Tusar government** (*cf.* last RECORD, pp. 134-135), embodying an elaborate scheme for social legislation, met with the approval of Parliament, but on September 15, just when its policies began to bear fruit, the **cabinet resigned** office. This was the immediate result of a split in the ranks of the Social Democratic party. Following a resolution of the Executive Committee that the party should not adhere to the Third International, the Left Wing, or Extremists, seceded and, to all intents and purposes, accepted communism. The **new ministry** appointed by President Masaryk and composed of administrative experts, was as follows: Premier and Minister of Interior, Jan Cerny, head of the Provincial Government of Moravia; Defense, General Husak; Posts, Dr. Fodka; Agriculture, Dr. Bordlik; Railroads, Dr. Burger; Public Welfare, Dr. Gruber; Unification, Dr. Fajnor; Food, Dr. Prusa; Public Health, Dr. Prohaska; Foreign Affairs, Dr. Benès; Finance, Dr. Englis; Education, Dr.

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Susta; Justice, Dr. Popelka; Commerce, Mr. Hotosek. Three members of the former cabinet, Benès, Englis and Hotosek, retained their portfolios.—The rupture in the Social Democratic party was followed by **serious disturbances** culminating in a general strike called by communist leaders on December 25, the order being sporadically obeyed in Prague and in the mining centers. The Social Democrats and trade-union leaders in a manifesto called upon the workers to ignore the communist summons, with the result that bloody fighting ensued between the two factions. The government finally declared martial law in the affected districts and the movement collapsed. Another communist outbreak at Krombach, late in February, was traced to foreign agitation.—On March 21 M. Hanacik was named minister of finance to succeed Dr. Englis, who tendered his resignation on March 9.—General satisfaction was expressed in Czechoslovakia over the **settlement of the Teschen boundary.** By the Allied award the Duchy of Teschen was divided, the western section containing the coveted Karwin coal region together with the important railroads, the left bank of the Olga from Perschna to Jablunka, and portions of the Arva and Zip districts were allotted to Czechoslovakia; most of the city of Teschen, with surrounding territory, was awarded to Poland. The Poles were also guaranteed a yearly allotment of coal. Private property rights of both nationalities were guaranteed in either section. Questions of language, schools, protection of minorities, and citizenship were adjusted by a treaty signed by both countries on November 20.—In presenting the budget for 1920-1921, Minister of Finance Englis stated on November 4 that not only did expenditures and revenues balance, but there would also be a considerable surplus. Czechoslovakia, it was further stated, was the only Central-European state that had not issued paper money to cover its expenditures.—Intense feeling was engendered between the Czechs and the Germans on account of the **nationalization measures** of the former. The Germans, it was reported, had been forced to use the Czech language and German schools had been closed. In November a movement was started to dismiss all German civil and military officials. So bitter was the animosity of the two races that violent outbreaks occurred at Asch, Eger, Prague, Pilsen and Brünn. After angry protests had been made to the President and the Premier by the German members of Parliament, steps were taken to moderate the situation.—In an effort to prevent the establishment of a state church the Papal See has authorized the use of the Slovak language in the Catholic churches of Slovakia.

RUSSIA.—Throughout the year under review conditions in Russia were the subject of conflicting statements. Certain it is that notwithstanding the frequent rumors of its approaching overthrow, the Soviet government was still in control at the end of the year and, in many

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respects, in a more favorable position than at any time since its inception. Attempts to destroy it, however, were not wanting. Late in June, 1919, General **Wrangel,** who had been associated with General Denikine in his abortive campaigns in South Russia (*cf.* last RECORD, p. 123), launched a new offensive against the Bolsheviki in the Crimea. During July, August and September, when the Bolsheviki were engaged with the Poles, Wrangel achieved considerable military success. The government which he set up at Sebastopol was recognized on August 11 by France who, as was currently stated, was responsible for the undertaking. In his military operations he was supported on his right by Cossack tribesmen and by the guerrilla forces of the former bandit Makhno; on his left General **Petlura,** peasant leader of the Ukraine, and General Balakhovitch rendered valuable assistance. As soon as the armistice was concluded with Poland, Trotsky marshalled all his available military power against the South-Russian leader. On October 12 the Red forces had advanced to the sea of Azov and by the end of the month Wrangel's forces were in full retreat. In a last effort to check his powerful adversaries he made a desperate stand on November 11 at the Isthmus of Perekop; after a vain attempt at resistance most of his army, vastly outnumbered, was annihilated and the remnant, disorganized and disheartened, was driven, panic-stricken, toward the sea. On November 14 the Bolshevist forces appeared before the gates of Sebastopol and Wrangel found safety on a French warship. Thousands of civilian refugees sought a haven on Russian and Allied vessels which carried them to Scutari, Constantinople and other ports. With the elimination of Wrangel the Soviet government turned its attention to Generals **Petlura and Balakhovitch.** Petlura's capital, Kamenetz-Podolsk, was captured on November 19; the fall of Kiev shortly afterward marked the end of his power. Balakhovitch shared a similar fate; with his force of 40,000 he was soon cooped up east of Mozyr. By December the Soviet forces had dealt the decisive blow; Balakhovitch had disappeared and the remaining handful of his soldiers was in full flight toward Poland.—Thus relieved of impending military dangers Moscow redoubled its efforts toward securing a **resumption of trade relations** with the Western Powers, a goal toward which it had made considerable headway the previous year (*cf.* last RECORD, p. 125). On his return from London, July 1, M. Krassin informed his government that Great Britain refused to continue negotiations until the Soviet authorities first agreed to cease further anti-British and anti-Allied military activities in Persia, the Caucasus and Turkey, to release all British prisoners, to abandon all propaganda in India, and to recognize the Russian debt. Tchitcherin, Bolshevist Foreign Minister, in a communication to Lloyd George on July 8 accepted these conditions and a delegation composed of Kamenev, Krassin and Milutin met at

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Reval, Esthonia, preparatory to departure for London. Subsequently the British Premier, under pressure of the French government, informed the Bolshevist government that as an additional requirement for continuance of trade negotiations, Russia must cease hostilities against Poland and agree to an armistice. To this demand Moscow refused to accede. This requirement of the Allied premiers was reaffirmed at the Allied Conference at Boulogne (*cf. supra*, p. 4), where it was agreed that no further discussions would be conducted with the Soviets until the outstanding questions between Moscow and Poland and between Moscow and the border states had been adjusted. Although announcement to this effect was made in the British House of Commons on July 29 the Soviet envoys proceeded to London. Soon after their arrival charges of carrying on propaganda preferred against Kamenev led to his hasty departure; the burden of continuing negotiations fell upon Krassin and he met with bitter opposition from many quarters. The **plea of Count Sforza,** Italian Minister of Foreign Affairs, before the Italian Chamber in favor of allowing Russia to develop her government as she saw fit without foreign interference, encouraging though it was to Krassin, was more than offset by the **attitude of France and the United States.** In a note to the Italian ambassador on August 10 Secretary of State Colby, while expressing sympathy for the Russian people and respect for the territorial integrity of their country, stated emphatically that the Soviet government was tyrannical, untrustworthy, unrepresentative and dangerous, and as such would not be recognized by the United States. The following day France, much to the surprise of the British Premier, recognized the Wrangel government. Krassin was further handicapped by opposition of prominent British statesmen like Winston Spencer Churchill. Then, too, at this time relations between Moscow and London were somewhat strained on account of differences relative to the return of prisoners, Soviet propaganda and British aid to General Wrangel, concerning all of which a series of notes were exchanged between the two governments during October. The termination of the Russo-Polish war and the elimination of Wrangel removed two main obstacles to the success of Krassin's undertaking. Lloyd George in the House of Commons on November 19 stated that the government had decided "to carry out the July arrangements" with Russia. The completed **Anglo-Russian trade agreement** was handed to Krassin on November 20 and, after protracted delay, was signed by representatives of both countries on March 22. By its terms the blockade, in so far as Britain was concerned, was to be lifted immediately, both countries were to release prisoners, Bolshevist propaganda within the British Empire was to cease, and all other hindrances to an immediate resumption of trade were to be removed. The treaty further accorded diplomatic rights to "official agents". The Soviet

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government assumed responsibility for all Russian debts to British nationals and in return Great Britain agreed not to assist in the seizure of Russian gold for payment of Russia's old debt to France. In defending his policy Lloyd George admitted, March 22, that Britain had recognized the Soviet as the de facto government of Russia. Moscow's efforts to reopen commercial relations with the outside world were not confined to Great Britain; **trade agreements** were made with all the border states; Germany and several of the smaller countries, e. g. Holland, entered into commercial intercourse with Russia. The United States still held aloof, although on December 20 it was announced that war-time restrictions against credit transactions with the Soviets had been removed. On March 25, however, the American government, greatly to the satisfaction of France, officially declined the invitation of Foreign Minister Tchitcherin to conclude a trade compact. With the exception of the statement by Premier Leygues on November 25, to the effect that he favored suppression of the blockade and the granting of permits to French traders and manufacturers to deal with Russia, the French government firmly opposed all intercourse with the Soviet republic. A preliminary **trade treaty,** modeled after that with Britain, was concluded **with Germany** on May 6. Negotiations with **Italy** and **Scandinavia,** although several times broken off, were still pending at the close of the year. Russia's foreign trade during May and June was greater than during the entire previous period of the Soviet régime.—The Soviet authorities struggled with many **internal problems.** Starvation, sickness, strikes and industrial paralyzation, products, the Soviet leaders asserted, of war, blockade and necessary friction in inaugurating a new social order, were especially distressing. It was largely a shortage of food that led to menacing **strikes** in Petrograd, Moscow and other centers during the past winter. A February strike of 14,000 government workers in Petrograd for an increased bread ration soon assumed the proportions of a **counter-revolution.** On February 26 the strikers were joined by the Kronstadt garrison and sailors from the Baltic fleet. To the plea for more food was added the demand for convocation of a constituent assembly and the right of free trade or individual enterprise. Demonstrations followed which rapidly developed into pitched battles when government troops attempted to restore order. By March 15 the rebellion, described by Lenin as a case of discontent utilized by some Czarist reactionaries, Mensheviki, Social Revolutionaries and foreign powers, had been completely crushed.—It was officially stated in January that the membership of the Russian **labor unions** aggregated 6,970,000, of which 30 per cent were specialists (engineers, chemists etc.), 7 per cent clerical employees and 63 per cent manual workers. The struggle between these labor unions and the Soviets for supremacy was grave enough to move Lenin to declare

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on February 7 that unless a settlement was soon made the whole Bolshevist state system would crumble.—That the Soviet leaders realized the impossibility of maintaining a purely communistic state at the present time was evident from the statements of Lenin before the **Tenth Communist Congress,** which met in Moscow early in March. He declared the approach to pure socialism must be through state socialism and, for the sake of economic development, Russia must compromise with the capitalistic bourgeoisie. Experience had shown, he further declared, that in practice the government must abandon certain principles relative to internal administration. The changes which he proposed and which were adopted, though not without opposition, were: more freedom in exchange of goods among the people; abandonment of compulsory requisitioning of farm produce, thus permitting the peasants to dispose of their own products; more liberty for private initiative in the organization and operation of smaller industries; and, lastly, greater freedom for coöperative societies. By the more radical Communists these changes were considered unnecessary concessions to the peasants and a compromise with bourgeois ideals. In defense of his policy Lenin pointed out on April 16 and again on the 24th that the peasants constituted the backbone of the Russian population, that for years the peasants had suffered from military requisitions, poor crops and famine, and that they were now called upon to shoulder a new burden in the demobilized soldiers who, accustomed to rob, pillage and murder, constituted "our gravest enemies". Peasant discontent, he concluded, must be allayed else a new war would ensue between the tillers of the soil and the proletariat.—Soon after the collapse of the Kolchak régime (*cf.* last RECORD, p. *122*) **four governments** came into existence **in Siberia:** Verkhne-Udinsk, Chita, Vladivostok and Blagoveshchensk. The first and third were democratic in character; the second, under General Semenov, was reactionary, and the last was Bolshevist. By March, 1920, the Verkhne-Udinsk and Vladivostok governments had become sovietized. It was at this juncture that Japan seriously interfered in the affairs of the maritime provinces, ousted the Bolsheviki and took control of the situation (*cf.* last RECORD, p. 122). From this time until autumn little of importance transpired. During October a series of conferences were held and the question of amalgamation was discussed but without result. A move toward unification occurred, however, when late in October, with the withdrawal of Japanese support, the Semenov régime collapsed; thereupon the Verkhne-Udinsk administration immediately moved to Chita where it began the task of creating a unified Siberian state. Fortunately for the undertaking, the other governments voluntarily surrendered their authority and on January 9 elections for a National Constituent Assembly were held. These elections, fairly conducted, resulted in the choice of 160 Peas-

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ants, 98 Communists, 42 Peasant Unionists, 16 Social Revolutionaries, 16 Social Democrats, 10 Buriats and 5 Koreans. The provisional officers of the **Far Eastern Republic,** as the state was styled, were all Communists. From its inception the government of the new state struggled incessantly with numerous problems, economic and political. It was forced to carry on almost constant warfare against General Semenov and his Lieutenant-General Ungernsternberg who, it is alleged, were supported by Japan; this charge was denied by the Tokio authorities but China maintained that she had concrete evidence to substantiate it. That the Japanese were not in sympathy with the Siberian republic was evident from their proclamation of December 3, forbidding Vladivostok and the maritime provinces to unite with it, and also from the part which they played in ousting the Vladivostok local government last May. To the charge that Japan assisted the anti-Bolsheviki in the latter's *coup d'état* by disarming the militia of the city, General Tachibana, Japanese commanding officer, retorted that such action was necessary to preserve order. On June 15 it was reported that the government of the Far Eastern Republic had decided to join Soviet Russia.

IBERIAN STATES.—The unsettled political and economic conditions, so long prevalent in the Iberian peninsula, continued throughout the year under review. In **Spain** the **Dato ministry** resigned on August 30 only to be recast two days later to include two newcomers, Señor Ordoney as Minister of Justice and Señor Portago as Minister of Public Instruction. No change was made in the government's program. Hoping to divert public attention from the social and economic movement then sweeping over Italy, and to prevent a similar revolution in Spain, the Premier promised important reforms at a cabinet council presided over by the King on October 4. His program included reorganization of the ministry of labor so that all industrial disputes might be legally settled, better housing facilities for workmen, workmen's insurance, coöperative cultivation of state and municipal domains and private estates hitherto unproductive, increased railway rates on all commodities not regarded as necessaries of life, irrigation, afforestation, harnessing of water-power and reorganization of the army and navy.—As a result of **general elections** held December 18 the Conservatives (followers of the government) secured 197 seats; Conservatives (followers of Señor Maura), 21; Conservatives (followers of Señor Lacierval), 20; Liberals of all sections, 102; Republicans, 15; Reformists, 8; Socialists, 3; Catalonian Autonomists, 18; Monarchists' Union, 5; Jaimists, 3; Independents and Catholics, 12.—On March 8 Premier **Dato was assassinated** in revenge, it was currently rumored, for his appointment of General Anido as Military Governor of Barcelona. Five days later, after the veteran leader Antonio Maura had failed to form a cabinet, the Con-

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servatives united in supporting Señor Allende-Salazar as Premier. He chose a **Conservative-Coalition** ministry as follows: Foreign Affairs, Marquis Lema; Interior, Señor Bugallal; War, Viscount Eza; Marine, Señor Prida; Finance, Señor Arguelles; Public Works, Señor Lacierval; Public Instruction, Señor Aparicio; Labor, Count Elizarraga; Justice, Señor Pinies.—At a **Socialist Congress** held on April 14 at Madrid the Communists withdrew from the Socialist party after a resolution to adhere to the Third International had been rejected by a vote of 8808 to 6025.—Military operations against "rebellious" Moroccans cost Spain $9,000,000 for the first six months of 1920.—In **Portugal** after the sudden death of Premier Baptista (*cf.* last RECORD, p. 139), his cabinet soon dissolved and great difficulty was experienced in forming another. Finally on July 19, after an interregnum of over a month, Senhor Antonio Granja succeeded in constituting a liberal ministry. The struggle with a coal shortage, deficient wheat supply, a forty-day railway strike, a depreciated currency and an exhausted treasury was too much for this government and it went out of office on November 14. Six days later a coalition government was formed by Senhor Alvaro de Castro but it could not command the confidence of the Chamber and was succeeded on November 30 by another coalition cabinet formed by Senhor Liberato-Pinto. The new Minister of Finance in an effort to wipe out an enormous deficit proposed heavy direct property taxes, an inheritance tax which would take one-third of the estate, and a graduated income tax. The Pinto cabinet resigned February 18 without having solved the vital questions affecting the country. After several abortive attempts by various politicians Senhor Bernardino Machado succeeded in forming a new ministry on February 24. Another political flare-up occurred late in May resulting in the resignation of the Machado government; it was succeeded on May 25 by a new ministry headed by Thome Barros Qutiroz as Premier and Minister of Finance. Rumors of revolutionary and Royalist plots were frequent.

BALKAN AND DANUBIAN STATES.—Albania continued in her effort to establish independence and secure recognition. Her conflict with Italy was satisfactorily adjusted at Tirana on August 2 (*cf. supra*, p. 75). According to a modus vivendi the difficulties with Greece and Jugoslavia were to be settled by the Supreme Council.—**Bulgaria** made rapid progress in carrying out its program of reconstruction. Under the leadership of Premier **Stamboulinsky** a labor conscription act, a new education law and a land act all became effective. By the Labor Act all citizens between the ages of twenty and fifty were liable to obligatory work to be performed for the state. In this way it was hoped to enable the government to develop and cultivate large tracts of valuable land, to provide for the improvement and construction of state enterprises, e. g., highways, and to foster a spirit of apprecia-

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tion and responsibility toward the state. For religious reasons Mohammedan women were exempt from the provisions of the law. Under the new Education Act each province was required to maintain a certain number of schools of primary and grammar grades and at least two high schools for both sexes. Expropriation of surplus land belonging to individuals who do not or cannot cultivate it, and its distribution to the landless, especially war refugees, was the purpose of the land legislation. Premier Stamboulinsky, appearing before the Allied Conference in London, dwelt upon the injustice of the cession of Western Thrace to Greece; he asserted first that two-thirds of the population were bitterly opposed to it and, secondly, that by it Bulgaria was cut off from her only territorial outlet to the Aegean sea. The Bulgarians employed every resource of diplomacy to recover the Thracian territory. Premier Stamboulinsky's proposal for the formation of a "Green International" of agrarians in Southeastern and Central Europe aroused considerable interest and some enthusiasm in anti-Bolshevist circles.—Events in **Greece** during the year under review revolved about dynastic and imperialistic problems. The attempted assassination of M. Venizelos in Paris on August 12, part of a scheme to overthrow the government and restore Constantine to the throne, led to rioting in Athens and arrest of several members of the pro-Constantine group. Following the premature death of King Alexander, October 25, Parliament designated Prince Paul, younger brother of the late King, as his successor. Pending his acceptance, Parliament, in conformity with the constitution, named Admiral P. Kounduriottis as Regent. The Prince-elect declined to accept the throne, declaring that it belonged to his father and his elder brother George, neither of whom had renounced his right to it. This did not meet with the approval of either Premier Venizelos or the Allied governments which had been instrumental in driving Constantine into exile. That the Greek people accepted Prince Paul's point of view was evident in the elections for a new parliament, held November 14, which resulted in the repudiation of the Premier. He and all but two of his ministers were defeated and 250 Royalists, as against 118 Venizelist deputies, were elected. Upon receipt of official returns the Venizelos government resigned and was succeeded by a cabinet formed by the veteran politician George Rhallis as follows: President and Minister of Foreign Affairs, Rhallis; Interior, Tsalbaris; Finance, Kalogeropoulos; War, Gounaris; Education, Theo. Zaimis; Economy and Agriculture, Peter Mavromichali; Marine, John Rhallis. On November 17, Regent Kounduriottis tendered his resignation and was succeeded by Queen-Mother Olga; she announced that she assumed the regency in the absence of "her well-beloved son Constantine". Serious international complications threatened when on December 5 the Greek people voted overwhelmingly

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for the **return of Constantine,** their exiled king; remonstrances and warnings were sent by the Supreme Council then sitting in London. So strong was their opposition to this action of the Greeks that they threatened to abandon Greece to her fate if the latter insisted upon Constantine's return to the throne, but neither their threats nor opposition in the Balkans and among the Greeks in Asia Minor prevented his triumphal entry into Athens on December 19. Chagrined at the turn of events the Allies, especially France and Italy, embarked upon a policy of throttling Greece by cutting off financial support and insisting upon a revision of the Sèvres Treaty (*cf. supra*, p. 7). In the latter respect they seem to have been motivated by imperialistic reasons. Notwithstanding the secret arrangements between the Kemalists on the one hand and France and Italy on the other (*cf. supra*, p. 8), Greece rejected *in toto* the Allied proposals for a revision of the Sèvres treaty (*cf. supra*, p. 8) and in March launched a new offensive in Asia Minor in a single-handed effort to force the Turks to conform to the terms of the original treaty. They were unsuccessful, and warfare continued without decisive results. In this struggle the French and Italians apparently gave aid to the Turks. The Interallied High Commission at first declared Constantinople and the Straits to be neutral and, therefore, legally closed to the Greeks, but on June 15 this ruling was reversed. Meanwhile the Greek government appeared to be conducting a carefully manœuvered diplomatic campaign with a view to securing support of Great Britain as against France and Italy, and thus securing as much as possible of the share originally allotted to Greece in the Sèvres Treaty. Because of his failure to agree with the King over the questions of ministerial responsibility and representation of Greece at the London conference, Premier Rhallis surrendered the premiership in February to Kalogeropoulos, who reconstructed the ministry as follows: Agriculture, Ballajzis; Justice, Theotokis; Finance, Protopapadakis; Marine, John Rhallis; Education, Theo. Zaimis; Interior and communications, Tsaldaris. Another change in the government occurred on April 8 when Kalogeropoulos, having failed to retain his grip on the various political factions, resigned as premier, his place being taken by Gounaris.— During the year matrimonial alliances which may be of future political importance were formed between the reigning houses of **Greece and Rumania.** — All things considered, conditions in **Jugoslavia** improved during the year under review. After a series of disagreements between the Radicals and the Democrats over questions relating to the administration of the provincial governments, control of exports, agricultural reform and eligibility of teachers, the Vesnitch government resigned on July 20; three days later Dr. Vesnitch was requested to reconstruct his ministry. Following the ratification of the Treaty of Rapallo (*cf. supra*, p. 6), November 12, Dr. Trumbitch, Minister

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of Foreign Affairs, resigned office and his portfolio was taken over by the Premier. Elections for a **Constituent Assembly** to draft a constitution were held November 28 and resulted as follows: Democrats, 94; Radicals, 93; Communists, 58; Radich (Croatian autonomy), 50; Bosnian Moslems, 24; Catholic Popular party, 23; Peasants, 39; Social Democrats, 10; National Socialists (Slovene), 2; minor parties, 26. Work on the constitution progressed but was not completed; instead of a federation of states as originally planned, the basic law, so it seemed probable, would provide for a highly centralized state with the old boundaries wiped out and the former divisions replaced by departments governed as in France. The peasant and clerical parties of Croatia opposed this arrangement and desired to set up a republic. The Vesnitch government resigned in December and, after considerable negotiation, was replaced by a coalition ministry headed by Pashitch, as follows: Premier and Foreign Affairs, Pashitch; Interior, Drachknovitch; Public Works, Yotza Yovanovitch; Public Instruction, Pribitchevitch; Agriculture, Pontzeli; Public Health, Karashmetovitch; Mines and Forests, Krisman; War, General Branko Youvanotich; Social Policy, Koukovetz; Agrarian Reform, Ouzokonvitch; Commerce and Industry, Mylyvio Yovanovitch; Justice, Djouritchito; Communications, Velisar Yankovitch. Bolshevist propaganda assumed such alarming proportions during December and January that the government instituted severe measures against the Communists, including the dissolution of their organization, suppression of their papers and prosecution of their leaders in case of disturbances.—The **death of Nicholas,** dethroned King of Montenegro, removed one factor of a perplexing problem in the internal affairs of the unitary state. —In **Rumania** extensive **agrarian reforms,** foundation for which was laid in 1917, were taken in hand by the government. All estates of over 500 hectares in Rumania proper, and of over 100 hectares in Bessarabia, Bukovina and Transylvania were to be distributed to the peasantry, who were required to pay 65 per cent of the pre-war value, the state paying the remaining 35 per cent; time for payment was to extend over a period of 45 years. A series of paralyzing strikes culminated last November in an attempt to overthrow the government. The scheme was defeated by the Premier, General Averescu, who caused the arrest of all Socialist and Syndicalist leaders who had endorsed the Third International. At his order all technical workers were called to the colors and put under military discipline. As an aftermath a bomb explosion in the Rumanian Senate on December 9 killed Greceanu, Minister of Public Works, and Bishop Radu, and dangerously wounded several others. In **Transylvania** extreme bitterness resulted from a government decree requiring Magyar children to attend Rumanian schools.—Under the inspiration and guidance of France a formal **"defensive" alliance against Soviet Russia** was entered into by Rumania, Poland and Hungary on March 2.

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THE BALTIC STATES.—After long and oftentimes acrimonious discussions, **Finland** succeeded in concluding an armistice with Soviet Russia on October 1. By the terms of a treaty signed October 12 the Petchenga region, Finland's natural outlet to the Arctic ocean, came into her possession; the islands in the gulf of Finland, including Hogland, went to Finland; East Karelia became an autonomous state; and the Finnish inhabitants of the government of Petrograd were given all the rights of ethnic minorities. The Finns in turn agreed to evacuate the districts of Repola and Porajarvi. The **award of the Aland Islands to Finland** by a commission of the League of Nations (*cf. supra*, p. 16) caused great rejoicing. The efforts of the German-Finnish reactionaries to overthrow M. Holsti led, early in April, to a ministerial crisis. After M. Kallio of the Agrarian Party failed to form a cabinet, the task was undertaken by Prof. Vennola, a Progressive, and a ministry was constituted as follows: Prime Minister, Vennola; Foreign Affairs, Holsti; Interior, Ritavuori; Justice, Helminen; Commerce, Makkonen; War, Colonel Hamalainen; Communications, Pullinen; Education, Liakka; Finance, Ryti; Social Affairs, Jonkahainen; Agriculture, Kacio.—Political and social disturbances in **Esthonia** were responsible for the July downfall of the Tönnison Socialist ministry. Early in August the former Premier returned to power at the head of a coalition government recruited from the Independent and People's parties. Following the recognition of Esthonia by the Great Powers, economic conditions improved, but commerce was still hampered by customs barriers. The new constitution, modeled largely after that of Switzerland, went into effect during the year. Particularly notable were its provisions relative to state socialization and to initiation of legislation.—By a treaty signed with Soviet Russia on August 11, **Latvia** obtained the right to exploit 250,000 acres of Russian forest. Both parties agreed to submit their claims to a referendum in the Drissa district. During the year the Letts made great progress in inaugurating their land-reform and nationalization programs; telephones, telegraphs, railroads and shipping are now owned by the state, and a recent law permits the government to acquire shares in enterprises which exploit state property. The cardinal principle of the **Latvian land policy** was that everybody should be able to own land. The law provided for a state land fund to cover extended credit to new owners who may acquire land without any initial payment. Each landless family may secure a maximum of approximately 60 acres, and as most of the forfeited land is covered by mortgages held by Latvian banks, compensation is provided for.—Between the millstones of Poland and Russia, **Lithuania** passed through a troublesome year. On July 12 she entered into a peace agreement with Moscow by which the latter agreed to pay 3,000,000 rubles in gold, to release Lithuania from all share in the old Russian

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debts and to define her boundaries so as to include Vilna, Lida and Grodno. This treaty was supplemented in August by one relative to Bolshevist evacuation of Vilna; hardly had the arrangement been concluded when the Lithuanians came into conflict with the Poles, who insisted not only on certain boundary rectifications but on occupying Vilna and using Lithuania's railroads in their offensive against the Bolsheviki. Hostilities ceased for the time being when, through the mediation of the League of Nations, a commission was appointed to study the respective claims to the disputed territories. This pacific proposal was rendered futile by the seizure of Vilna on October 9 by the Polish adventurer, General Zeligowski. Lithuania in protesting against this action to the world at large and to the League of Nations, staunchly asserted that she had evidence that Zeligowski's move had been supported by the Polish government. This accusation the Polish authorities at first vigorously denied. At this juncture the League of Nations suggested that the dispute be settled by plebiscite. After protracted delay the League announced in March that because of the hostility of both disputants to the plebiscite scheme it would be abandoned in favor of a settlement by direct negotiation. The first step in this direction was taken on April 21 when representatives of the two countries held their first conference. Settlement was still pending at the end of June.

THE SCANDINAVIAN STATES. — In **Sweden** general elections to the Rigsdag resulted disastrously for the government. The Conservatives elected 68, a gain of 13; Farmers' National Union, 28, a gain of 19; Social Democrats, 76, a loss of 11; Liberals, 45, a loss of 18; Left Socialists, 4, a loss of 6. As a result of this popular decision the coalition ministry of Hjalmar Branting resigned office on October 22. The Liberals refused to join the Socialists in reconstructing the former government. After much difficulty a new cabinet was formed, October 29, with Baron Louis de Geer as Prime Minister and Count Wrangel as Minister of Foreign Affairs. In his speech from the throne at the opening of the Rigsdag in the middle of January the King referred to the death of Crown Princess Margaret, to Sweden's adhesion to the League of Nations, and to the importance of maintaining the country's means of defense. In order to combat the financial crisis he urged strict economy, both private and governmental. The program of the government included social reform, labor legislation and tariff revision. The state budget showed a total of 1,300,000,000 kroner, or an increase of 225,000,000 over last year. Upon failure to receive the support of both chambers the de Geer ministry resigned office in February. Hjalmar Branting declined the invitation of King Gustav to form a new ministry as did Admiral Lundman, Conservative leader, and Prof. Eden, leader of the Liberals. Finally von Sydow was persuaded to undertake the task and

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succeeded in reconstructing the old ministry, Bekow as Minister of Finance being the only new member. Hammarskjold, Minister of Defense, resigned office in May after the Rigsdag had passed a measure limiting the period of military service to 165 days instead of 225 as he had proposed. — Throughout the year keen interest was manifested in the disposition of the **Åland Islands**; disappointment was felt in Sweden over the recommendation of the Special League of Nations Commission that the archipelago be awarded to Finland.— During the year under review **Norway** suffered from serious labor disturbances, including a railroad strike called December 1 and a strike by the seamen called May 9. Attempts to call a general strike in December were thwarted by the Norwegian Community Aid, an organization formed to ward off industrial conflicts. In accordance with the minority report of a Royal Commission the Storthing in July enacted a measure providing for industrial works councils with advisory functions. The majority report recommended that the councils, which were composed of not more than three representatives of employers and of from nine to twelve representatives of employees, be given far-reaching jurisdiction in industrial matters. On January 17, following a split in the ranks of the National Labor Party, a new organization called the Norwegian Socialist-Democratic-Labor Party was formed; its membership was recruited from the ranks of Moderate Socialists who advocated parliamentary methods.—In **Denmark** elections to the Folkething (House) held on July 6 resulted as follows: Party of the Left, 51, a gain of 3; Conservatives, 27, a loss of 1; Radicals, 18, a gain of 2; Socialists, 48, a gain of 6; Tradesmen, 3, a loss of 1; German Schleswig, 1. Elections to the Landsthing (Senate) showed a substantial majority for the government parties, the Left and the Conservatives; the Socialists, however, gained 3 seats. Announcement was made on September 8 that the amendment to the Danish Constitution, incorporating North Schleswig as a part of Denmark, had been ratified by a popular referendum, 613,471 to 19,490; the Socialists, for political reasons, refrained from voting. Danish syndicalists decided in May to affiliate with the Third International.

OTHER EUROPEAN STATES.—During the first half of the year under review **Holland** was disturbed by numerous strikes and lockouts. For the year 1920 there were no less than 457 strikes affecting 49,208 workers; the number of lockouts for the same period totaled 18, affecting 11,385 hands. To minimize future labor troubles the government on December 28 proposed to institute throughout the country commissions with powers of intervention and authority to act as courts of arbitration at the request of both parties to the dispute. These commissions would inquire into causes of conflict and fix responsibility, and their decisions were to be given the force of law. To ensure complete understanding of all disputes, the commis-

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sions could compel the production of books and documents. The government presented its program to include partial revision of the constitution, a new educational law (compulsory education), measures for the regulation of industry, agricultural legislation, a plan for nation-wide electrification, and improvements in the East Indies. In her speech from the throne Queen Wilhelmina intimated that increased taxation was inevitable. The committee appointed by the Second Chamber to consider revision of the constitution submitted its report November 5. Among other things it favored the maintenance of the monarchial form of government but recommended that in case there should be no male heir to Princess Juliana, the people should be empowered through the Estates-General to determine their form of government. It further recommended universal suffrage, election of the First Chamber by proportional representation, revision of the constitution by popular referendum, admission of laymen to the practice of law, and biennial budgets. Early in October D. Fock, President of the Upper Chamber, was appointed Governor-General of the Dutch East Indies; D. A. P. Nkoolen was elected as his successor in the Chamber. Funds were voted for the renewal of diplomatic relations with the Vatican, which had been interrupted in 1907. After prolonged negotiation the Liberal and Liberal Independent parties and the Economic League fused into a single organization. According to preliminary returns of the census taken in December the population of Holland totaled 6,841,155, a gain of 1.42 per cent since 1909. —In **Belgium** a bill granting unrestricted suffrage to women was defeated in the Chamber of Deputies on July 1 by a vote of 89 to 74. Later in the month, however, the Chamber voted 146 to 4 to amend the constitution so that any future parliament by a two-thirds majority may extend the suffrage without constitutional revision. Differences of opinion relative to the reorganization of the army, the attitude of Belgium toward the Russo-Polish war, socialization of industry, the Flemish question, and numerous union problems, together with vexing industrial disputes, led to a ministerial crisis early in November. The fall of the coalition government of M. Delacroix was foreshadowed in the prior resignation of M. Paul Hymans, Minister of Foreign Affairs; M. Paul Janson, Minister of National Defense, and M. Louis Franch, Colonial Minister. After ten days of skillful negotiation a new coalition cabinet was formed on November 19 composed of 4 Catholics, 4 Socialists, 3 Liberals and 1 nonpartisan as follows: M. de Wiart, Premier; M. Vandervelde, Justice; M. Jaspar, Foreign Affairs; M. Van de Vyvere, Economic Affairs; M. Devèze, National Defense; M. Neujean, Railways; M. Destrée, Science and Art; M. Wanters, Industry, Labor and Food; M. Anseele, Public Works; Colonel Theunis, Finance; M. Ruzette, Agriculture; M. Franch, Colonies. On December 9 the Chamber expressed confi-

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dence by a vote of 122 to 3. In the Communal Elections held April 24, the Catholics made notable gains at the expense of the Liberals and Socialists. On February 3 an eight-hour-day bill was enacted. The Third International was repudiated by the Socialist party, 448,000 to 37,000. At the Colonial Congress, which opened December 18, King Albert made a lengthy appeal for the further development of the Belgian Congo. Post-war reconstruction made rapid development during the year.—A Federal Labor Bureau was established in **Switzerland** to have jurisdiction over all questions affecting labor, including the drafting of bills regulating relations between employer and employee. The Bureau was designed to act also as an intermediary between the Swiss government and the labor organs of the League of Nations. The executive of the Swiss Social Democratic party voted 40 to 18 against adherence to the Third International. M. Ador was succeeded in the presidency of the Republic by Dr. G. Motta.—In December **Luxemburg** was admitted to membership in the League of Nations. — On account of the almost constant wrangling between German and Polish elements the **Free City of Danzig** passed through a stormy political year. On December 7, Dr. Sahm, former burgomaster, was elected President of the Senate and thus automatically became the first President of the City-State.

IX. ASIA AND AFRICA

CHINA. — Harassed by famine and by continued civil war, threatened with bankruptcy and menaced by the overshadowing hand of Japan, the people of China passed through a year of abject misery. The solution of the long conflict between the North and the South, which seemed imminent early in June, 1920, was seriously interrupted when a new struggle was precipitated in the North by the dismissal of General Hsu Shu-cheng, commander of the frontier-defense troops in Mongolia and a prominent member of the Anfu group. The **Anfus,** reputed to be corrupt and in favor of a pro-Japanese policy, bitterly opposed peace with the South by negotiation, a step openly advocated by President Hsu Shih-cheng. Taking exception to the action of the President, they refused to sanction the dismissal of the frontier commander and war ensued between the two military parties of the North, the Chih-li and the Anfus. The defeat of Tuan Chih-jui, leader of the Anfus, by General Wei Pei-fu south of Peking on July 18 threw the capital into a state of panic and the city was placed under martial law. As a result of negotiations at Tientsin on July 25 the Anfus reluctantly acceded to the punishment of General Hsu Shu-cheng and disbandment of his frontier-defense force, as well as the dissolution of the Anfu Club.—Following this defeat a **new cabinet** was appointed on August 11 with Ching Yung-peng as Prime Minister and Minister of War; Dr. Wu Yen, Foreign Affairs; Admiral Sah

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Chen-ping, Navy; Chang Chih-tau, Interior; Yeh Kung-chow, Communications; Wang Nai-ping, Commerce; Chow Tsze-chi, Finance; Fan Yuan-lien, Education; and Tung Kang, Justice. The new ministry, being exceedingly anxious to end the civil strife, adopted a conciliatory attitude toward the South. The Canton government, however, was so hard pressed by revolutionary armies under the leadership of Dr. Sun Yat-sen, who insisted that the Peking government was reactionary, pro-Japanese and unrepresentative of the people of China, it could do little in the way of negotiation with the Peking authorities. Finally, late in October, General Tsen Chun-hsuan, the soul of the Canton régime, announced the **dissolution of the Canton government** and the renunciation of independence by the southern provinces of Kwantung and Kwangsi. President Hsu on October 30 issued a proclamation declaring the North and South reunited and called for the election of a new parliament. Both of these occurrences were angrily denounced by Dr. Sun Yat-sen and his followers who had, in the meantime, established a **"constitutionalist" government** in the South. From its inception, this factional government maintained an attitude of unyielding hostility toward the Peking government, which it continued to denounce as corrupt, traitorous and inefficient. Actual fighting between the North and the South virtually ceased but reunion was not achieved.—Worse than civil war was the suffering caused by the terrible **famine** that has prostrated the five provinces watered by the Yellow river. This region, inhabited by a population of between thirty and forty millions, was for many months without rain. As a result there was an almost total failure of crops. By October thousands were perishing of starvation; during the following months conditions grew constantly worse although foreign aid of food and money brought considerable relief to the stricken areas.—The **anti-Japanese feeling,** so prevalent in recent years, still continued. Relations between **China and Japan** were further strained when it became known that nine of the ten former military chiefs and cabinet officers of the Anfu group had been granted protection in the Japanese consulate after the defeat of Tuan Chih-jui. In its report, submitted early in October, the Commission of Inquiry, sent to investigate the administration of the Chinese Eastern Railway, declared that the many raids on the railway had been instigated by the Japanese and that the Japanese had done all in their power to hamper the administration of the road. Further evidence of anti-Japanese feeling was manifest in the parade organized by students in Peking on November 17 as a protest against the action of Japan in sending troops to protect Japanese interests in Huchun. The Chinese government repeatedly asserted that the presence of these troops was unnecessary and, toward the end of March, it was officially announced from Tokio that the Japanese forces would be withdrawn on April 1.

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The Peking government refused to treat with Japan over the return of Shantung and the boycott of Japanese goods still continued.—The reunion of **Outer Mongolia** with China (*cf.* last RECORD, p. 143) proved to be of short duration. In February a combined force of Mongols, "white" Russians and Japanese, under the command of General Ungern, an associate of General Semenov, routed the Chinese garrison stationed at Urga, the Mongolian capital. On February 25 General Ungern was crowned king of independent Mongolia.—The Peking government, although financially embarrassed, for obvious reasons declined to accept the **new consortium loan plan,** the details of which were officially handed to China on February 1. A strong current of public opinion prevailed that the consortium, if accepted, might be followed by foreign military and political interference. Then, too, Chinese nationalists felt that acceptance of the terms of the consortium, which provided for foreign supervision of expenditures, would involve loss of Chinese prestige. The plan was opposed from the first by Chinese bankers who quite naturally did not desire competition, and, furthermore, the party of Dr. Sun Yat-sen resolutely opposed any foreign assistance to the Peking government, alleging that funds thus obtained would be used by military reactionaries for the further oppression of the people.—Announcement was made on September 1 that Dr. V. K. Wellington Koo, Chinese minister to the United States, would be transferred to London to represent China in the League of Nations; Alfred Sze, minister to London, was named to succeed Dr. Koo at Washington.

JAPAN.—An increasing demand for reform and for the elimination of "invisible government", the Shantung controversy, pacification of Korea, the continued military occupation of Eastern Siberia and Upper Manchuria, and the question of Japanese immigration to the United States, were the outstanding problems which confronted Japan during the year under review. The long dispute over the **proposed reform of the franchise** (*cf.* last RECORD, p. 145) was adjusted temporarily when on July 12 the Diet by a vote of 283 to 150 rejected a proposal for universal suffrage. In the debate preceding the vote, Premier Hara, while admitting that suffrage extension was necessary, declared that it was improper to adopt universal suffrage without giving the amended electoral law a trial. In reply to the contention of the opposition that the cabinet should respect the decision of the Diet to grant universal suffrage without a referendum to the country, the Premier sought to justify the government's appeal to the people and he was sustained by a vote of 283 to 145. Throughout the country great excitement prevailed, pro-suffrage demonstrations taking place not only in Tokio but in the provinces as well.—The deadlock with China regarding **Shantung** continued, athough Japanese spokesmen repeatedly asserted that Japan was willing to negotiate with

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China regarding return of the disputed province; thus Viscount Uchida, Japanese Foreign Minister, publicly expressed himself on January 2, and Baron Hayashi, Japanese ambassador to London, in a carefully worded statement before the League of Nations Assembly, voiced a similar opinion. The latter affirmed that internal disturbances in China rendered negotiation extremely difficult, and Japan, he stated, "must be assured that trade in Shantung shall be open" and Japan "must settle how it shall be open and what guarantees we get that it remain so".—Japanese anxiety regarding **Korea** continued; early in the year Admiral Saito, Japanese governor-general, outlined a plan for Korean self-government (*cf.* last RECORD, pp. 143-144). The scheme, providing for popular election and limited home-rule, made little impression upon the belligerent Koreans. In September serious rioting at Gesnau resulted in the partial destruction of the property of several Japanese concerns including the Korean Industrial Bank and the Oriental Development Company. These acts of violence were followed in November by a pitched battle in the Huchun district between Japanese troops and Koreans. The Japanese forces, sent in spite of China's protest, were openly charged with having committed acts of barbarity; Presbyterian missionaries, for instance, insisted that hundreds of innocent Koreans were put to death; Japanese officials retorted that the homes of the missionaries were centers of anti-Japanese agitation and hiding places for Korean rebels who adopted Christianity merely as a cloak to cover their real design to undermine Japanese authority. In defending their course of summary execution, reprisals and property destruction, Japanese authorities declared such action necessary in order to suppress the Korean independence movement. Approval of Japan's policy of forcible assimilation cost the prominent Korean, Bingen Shoku, his life on February 18. Even in the Diet the government's Korean policy was from time to time severely criticized by the opposition.—Japanese influence was still a potent factor in **Eastern Siberia.** On September 22 it was officially announced that Japan had decided to withdraw her troops from this region except from those places where the defense of the empire made continued presence of troops imperative. Early in January Viscount Uchida expressed the hope that a sufficiently stable régime would be established in Siberia to enable Japan to withdraw her troops from Vladivostok and the maritime provinces. Following the announcement, made for the first time in the history of Japan, that he would attack the government formally at a certain session on the floor of the Diet, Viscount Kato on January 24 bitterly arraigned the cabinet for its foreign policy. In reply the Premier asserted that continued occupation of certain districts in Siberia was absolutely necessary for the interests of Japan. The shooting of an American lieutenant, W. H. Langdon, by a Japanese sentry at Vladivostok on

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January 8 brought forth representations from the United States and an expression of regret from Japan.—The Tokio cabinet on November 30 submitted the **budget** for 1921-22 totaling approximately $778,000,000 (1,562,000,000 yen); of this sum $369,000,000 was for **armaments,** the army budget being about $122,500,000 and that of the navy, $247,000,000, including $72,000,000 for new construction. On February 8 Yukio Ozaki, deposed leader of the opposition, moved for curtailment of military expenditures, especially for naval armament, and proposed a conference with England and the United States on the subject of disarmament. The proposal for curtailment was defeated by a vote of 245 to 38, the militarists and capitalists declaring that conditions in China and Siberia did not permit army or navy retrenchment. After further debate on the subject confidence was expressed in the government by a vote of 259 to 141.—On September 4 Viscount Chinda, ambassador to the Court of St. James, was succeeded by Baron Hayashi; about the same time Mr. Matsui, Japanese ambassador to France, was replaced by Viscount Ishii.—The Anglo-Japanese Alliance was temporarily renewed for one year.—The population of Japan, Korea, Formosa and Sakhalin, according to the first **census** of the Japanese Empire, was announced on March 1 as 77,005,112, including 55,961,140 in Japan proper. (*Cf.* International Relations, pp. 1-19).,

TURKEY.—The **treaty of peace** between Turkey and the Allies (*cf.* last RECORD, pp. 9-10) was signed at the famous French town of Sèvres on August 10. The Porte, following receipt of the treaty, submitted a memorandum to the Allies in which protest was made against the composition of the Straits Commission. It was insisted that Turkey should be represented; the claim was also advanced that the straits should be administered in the same manner as the Suez Canal, as provided for in the Treaty of Constantinople of October 29, 1888. The assertion was made that the clauses calling for the demolition of fortifications and the occupation of their sites by Allied troops was an impairment of Turkey's sovereign rights and of the security of the Ottoman state. The Turkish counter-proposals rejected the articles dealing with the surrender of Thrace, Smyrna and Syria, protested against inclusion of the port of Alexandretta in the French mandate, and proposed that the islands of Lemnos, Imbros and Tenedos at the entrance of the Dardanelles be included in the same zone as the straits, thus remaining Ottoman territory under Allied control. The drastic reply of the Allies to these counter-proposals was given on July 17 in the nature of an ultimatum and resulted in an immediate **reconstruction of the government.** Djemal Pasha, Minister of Public Works, and Fahreddine Bey, Minister of Education, both members of the peace delegation, and Durri Zada Abdullah Effendi, Minister of Religion, resigned. By July 31 the cabinet, still under Damad

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Ferid Pasha as Grand Vizier, had been reconstructed to include Said Molla, Justice; Muhatas Bey, Public Works; Muntaz Pasha, Interior; Ehen Ali Bey, Finance; and Mustapha Sabri Effendi, Religion; all the new members were reputed to be pro-British in sympathy. Meanwhile at a meeting of the Dynastic Council, held July 21 and attended by the Sultan and many imperial princes, a decision was reached to sign the treaty without delay. The new peace delegation, headed by Rechid Bey, former Minister of Interior, consisted of Reza Tewfik Bey, formerly Minister of Education; Hadi Pasha, Minister of Agriculture; and Rechad Halias Bey, minister to Switzerland. Four days later at a Nationalist congress meeting at Angora the Sèvres treaty was denounced, the congress declaring it would oppose the fulfilment of its terms by military force. After undergoing the conflicting pressure of the Sultan, the Nationalists and the Interallied Commission, the government of Damad Ferid Pasha surrendered office on October 18, leaving the peace treaty still unratified. Tewfik Pasha was at once named Grand Vizier and by October 21 had selected the following cabinet, which met with the approval of the Chamber: Interior, Marshal Izzet; War, General Zia; Navy, Marshal Saleh; Foreign Affairs, Sefa Bey; Agriculture, Kiazim Bey; Religion, Nury Effendi. Instead of securing immediate ratification, the new Grand Vizier announced that the treaty would be ratified as soon as the government succeeded in bringing about national reunion. Efforts to secure national adhesion proved futile. The Nationalists, suspecting that the *de jure* Turkish government was simply an agency of the Allies, especially of Great Britain, and encouraged by the diplomatic rifts among the Allies themselves, refused either to recognize the Constantinople régime or to accept the Treaty of Sèvres. It was due in part to the military and diplomatic success of the Nationalists that the Supreme Council arranged for a conference on the Near East to consider revision of the Sèvres treaty; this conference was held at London, February 21 to March 12 (*cf. supra*, p. 8). On February 5 the **Nationalist government** which Mustapha Kemal Pasha had established at Angora asserted that it alone was the true government of Turkey. France at this time strongly favored recognizing the Kemalists, i. e., adherents of the Angora government, but Great Britain as vigorously opposed such action. Early in April it was revealed that both France and Italy had concluded secret treaties with the Kemalists at the very time that Greece was fighting in Anatolia to enforce the terms of the Sèvres treaty and the Near Eastern Conference was in session in London.—With Soviet Russia the Kemalists maintained friendly relations and on March 16 it was reported that a Nationalist delegation had signed a treaty at Moscow by the terms of which, according to the French Foreign Office, Russia was to recognize Constantinople as the capital of Turkey. Both countries demanded an international arrange-

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ment for the organization of the territories bordering on the Black sea and the Dardanelles. The Turks agreed to abandon Batum, giving the port to Georgia, and they further agreed to recognize the autonomy of that state. Armenia was to disappear as a political entity and be divided between Georgia, Azerbaijan and Turkey. — In reply to a telegram sent by the Papal Secretary of State in the name of Pope Benedict XV to the Angora government respecting the lives and property of Christians in Asia Minor, Mustapha Kemal Pasha assured the Vatican early in April of the safety and welfare of all peoples in his domain irrespective of race or religion.—On March 15 **Talaat Pasha,** leader of the Young Turk party, former Grand Vizier and Minister of Finance, was assassinated in Charlottenburg, a suburb of Berlin, by an Armenian student. It was upon Talaat Pasha that the Armenians placed responsibility for the Armenian massacres.

OTHER ASIATIC AND AFRICAN STATES. — Events in the former territories of the Ottoman empire, namely Palestine, Smyrna, Syria and Mesopotamia, centered largely around the efforts of the mandatory powers to enforce their authority. Following the International Zionist Conference at London, July 5-23, Sir Herbert Samuel, British High Commissioner to **Palestine,** appointed his advisory council. On October 11 200 delegates of the Jewish National Assembly came together at Jerusalem. The terms of the Palestine mandate submitted by Great Britain to the League of Nations made it clear that it was the intention to establish a national home for the Jewish people rather than to create a Jewish state. It would appear that the British mandate was opposed by the Arabs who were apparently supported by the old Franco-Syrian colony at Beirut, by the orthodox Jews who on principle objected to political Zionism, and by "Little Englanders" who saw in it an additional burden saddled upon the empire. — On July 15 General Gouraud, French commander in **Syria,** in an ultimatum to Prince Feisal, the so-called King of Syria, demanded that within twenty-four hours he acknowledge the French mandate, adopt French as the official language, French currency as the official currency, and hand over to France control of the railway from Risk to Aleppo. The French commander was publicly labeled by Feisal as guilty of criminal and cowardly conduct and his actions, which brought a sharp protest from Feisal's father, Hussein, King of the Hedjaz, were severely criticized in the British House of Commons and by the British press. In January Premier Leygues, in a speech before the French chamber, declared in regard to Syria that "France will keep all of it and always".—By promising self-government and employing a force of not less than 80,000 men, the British attempted to pacify **Mesopotamia.** On November 20 a council of state was established at Bagdad to assist British High Commissioner Sir Percy Cox in the administration of the territory. Great Britain had

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already expended vast sums to maintain its power and prestige in this region, and many Englishmen advocated abandonment of the entire territory with the exception of the oil districts at the head of the Persian gulf (*cf. supra*, p. 13).—The so-called Caucasus Republics of **Azerbaijan, Armenia** and **Georgia** were in large part overrun by the armies either of Soviet Russia or Nationalistic Turkey, both of which for a time coöperated in overwhelming the established governments. At the close of the year the entire Caucasus region was either dominated by or in league with Moscow. Anti-Bolshevist factions, supported it is asserted by Great Britain, waged incessant warfare against their communistic brethren. Before the advent of the Bolsheviki into the region, the Allies, in an effort to determine the boundaries of Armenia, invited ex-President Wilson to fix the frontier in the vilayets of Erzerum, Trebizond, Van and Bitlis. Mr. Wilson accepted this invitation and sent his completed survey to the Premiers on December 9. The boundary as fixed by him extended from the Black Sea, at a point slightly west of Tireboli, west of Kelkat and Erzingan through Mitikan, west of Mush and Bitlis and south of Lake Van to the frontier of Azerbaijan. The vilayets of Diarbekr, Sivas, Harpoot and Adana, often claimed by Armenian nationalists, were not included in the award. The Allies did not undertake to make the new boundary effective.—In **Persia** as the result of a *coup d'état* engineered from Kasvin, the British headquarters, General Reza Khan with 2500 national Cossacks deposed the Siphadar cabinet on February 20. On March 11 the new government submitted a résumé of proposed internal and external policy. Among other things it proposed to abrogate the last Anglo-Persian agreement and to rid Persia of the presence of foreign troops.—**Siberia** in seeking to negotiate a loan of $5,000,000 from the United States, objected to the appointment of a financial adviser by the American government.—On January 24 British airmen routed the forces of "Mad" Mullah in **Somaliland.**

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